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Need Constitutional Check on Tax Power

Joseph Stagg Lawrence points out portion of population carrying tax burden has lost political power and needs protection from receivers of government payments.

Speaking before a professional and businessmen's group at the University of Cincinnati on Feb. 4, Dr. Joseph Stagg Lawrence, economist and Vice-President of the Empire Trust Company, New York City, called for radical changes in today's concept of taxation, including a constitutional amendment limiting the rising income tax tide.

Jos. Stagg Lawrence

Every major war involving the United States except the last, Dr. Lawrence pointed out, has been followed immediately by substantial tax reduction. With the Federal Government now demanding restoration of the excess profits tax and an increase for middle and upper income groups, the "very high continuous level of

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See Pictorial Insert for pictures taken during the NSTA Tri-City Parties in Chicago, Minneapolis and St. Louis.

Inflation: Enemy Of Free Enterprise

By HENRY HAZLITT*
Contributing Editor of "Newsweek"

Asserting inflation, always and everywhere, means over-issuance of money and credit, Mr. Hazlitt holds its remedy is not in more production nor in price fixing or regimented and totalitarian economy. Refutes theory of excessive profits as inflation cause, and urges public relations executives to present clearer accounting pictures to sotckholders and public. Concludes only government and not business can fight inflation.

The title that has been given to my talk today is "Inflation: Enemy of Free Enterprise." If such a title had been given to a talk a few years ago, it would probably have been regarded by most business men as a deliberate attempt at paradox. For most businessmen have always been inclined to look with favor on the early stages of inflation. They see an inflation first of all as higher prices for the goods that each of them has to sell. These prices, in the early stages of inflation, usually rise faster than costs, particularly faster than wages. Profit margins grow wider, or at least seem to grow wider. Orders increase. Firms begin to work at full capacity. As this happens, unit overhead costs seem relatively to go lower. With plants working at full capacity, and with the backlog of unfilled orders constantly mounting, shortages and fears of shortages begin to

Henry Hazlitt

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*An address by Mr. Hazlitt at Sixth National Conference of Business Public Relations Executives, New York City, Feb. 3, 1949.

EDITORIAL

As We See It

Not So Simple, After All

If the President and his New Deal advisers ever felt the assurance they gave the impression of feeling last autumn they must by this time be developing considerable doubt. We do not undertake to say whether the hesitation, or whatever one is of a mind to call it, that has developed during the past two or three months will presently blossom forth into "another 1920" or prove more like several other strictly limited recessions which have touched us since the end of hostilities. We do venture to assert that if a real recession of proportions is in the cards, it is becoming daily clearer that there is no program in Washington which is likely to do very much toward changing the course of events materially or for very long—except to aggravate it.

A number of the elements of this situation have for some time been evident to the observing in private life, whether or not they are apparent to officialdom, and at bottom they are the old, familiar type of change, and word which comes out of Washington is quite reminiscent of the campaigns conducted by the Roosevelt Administration prior to 1941, and conducted in vain, for

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Free Enterprise—Source Of Our Greatness

By BENJAMIN F. FAIRLESS*
President, United States Steel Corporation

Stressing importance of freedom with opportunity as leading to an industrial mechanism that serves nation's requirements, U. S. Steel executive maintains American industry does not follow philosophy of scarcity. Says steel industry has been greatly expanded since war, and points to need of additional ore, scrap, coke and transportation supplies. Pledges steel industry to full effort to meet needs of country in war and peace, and calls for continued collaboration with armed forces.

The great basic strength of any nation stems from the minds and hearts of its people. Truly enough, material things are necessary to implement the purposes of man, but the purposes themselves generate the power which moves to accomplishment. One hundred and seventy-three years ago — that would be in the year 1776 — a deep and compelling spirit animated the minds and hearts of various small groups of persons living along the eastern fringes of this country, and something momentous happened. The seeds of a mighty new nation were sown.

Benjamin F. Fairless

What a spirit it was! Dedicated to high unselfish principles, distilled from devotion to an inspir-

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*An address by Mr. Fairless at the Third National Industry Army Day Dinner, Boston, Mass., Feb. 4, 1949.

Trusts Providing Large Market Cushion

By HENRY ANSBACHER LONG

Sixty leading funds at year-end held $153 million cash. Over-all sales balanced purchases during last quarter, enabling open-end stock funds to increase their cash reserves by 50%. Non-ferrous metals, steels and tobaccos generally favored, as rails lost short-lived popularity and were sold with amusement shares. Despite some liquidation, oils are still liberally held.

Market activity of investment company managers during the final quarter of 1948 picked up considerably over the September period. Although sales were 60% greater than those in the previous quarter, they were equalled by buying transactions. The selling was very pronounced in rails and amusements, while purchasers favored the non-ferrous metals, steels and tobaccos. The two large can companies and General Electric were individual blue chips also in conspicuous demand as well as Montgomery Ward and Sears.

Henry A. Long

A continuous policy of caution is being maintained by the trust managers as they build up very ample cash reserves. Since a majority of the *balanced open-end funds* were already in a conservative position at the early part of the quarter under review, they were enabled to extend themselves slightly on the purchase side of the market during the post-election weakness. Reference to the table showing the balance between cash and investments indicates that even after making these purchases eleven of the balanced trust group held less than 65% of their net assets in common stocks and equivalents. The two largest balanced funds, Investors Mutual and Wellington, had 61.8% and 58.4% respectively thus invested.

But the majority of the *common stock open-end funds* were not so comfortably protected at the beginning of the last quarter and many sold portfolio securities on balance, building up their cash reserves. Considering the extra distributions that several managements paid out to stockholders in December, it is certainly worthy of note that the 27 stock funds increased their net cash reserves during the period by 50%. Among this group of investment companies, particular interest centers on major shifts in the portfolios under Loomis-Sayles management, because this firm of investment counselors did an excellent job of protecting their shareholders both in 1929 and 1937. The percentage of cash and government bonds to assets of the Loomis-Sayles Mutual Fund increased as follows during the year:

Dec. 31, 1947	16.0%
Sep. 30, 1948	22.5%
Dec. 31, 1948	27.5%

Several of the *closed-end funds* also have unusually large percentages of net assets in cash and equivalents. At the end of the year National Shares Corporation was 25½% liquid, the Lehman Corporation 21½%, and American International and General American Investors each held 20.7% of their net assets in governments and cash. The 60 trusts covered in this survey held $153 million in liquid reserves on Dec. 31 of last year. This equals on an average, 14% of total net assets. It represents no mean buying potential for common stocks when the business and economic outlook becomes more clarified.

Reasons For Caution

Other than the obvious slump in certain commodity prices and indications of increased unemployment, what are some of the reasons for "continued caution during the period of transition" as one trust manager has so neatly phrased it in his recent annual report to stockholders. Ruth Houghton Axe's comments to stockholders in mid-January are interesting because four unfavorable factors developing during the last year in the business picture are emphasized as contrasted with the more sanguine elements noted previously in this review for the third-quarter. The first unfavorable cause has been "a rather substantial decline in orders for new building. . . . The second unfavorable development has been the failure of the hope of tax reduction. This is likely to curtail manufacturing plant expansions, reinforcing the decline in general building activity. The third unfavorable development is the fact that durable goods raw materials, whose prices had been persistently strong since the fall of 1946, have recently reacted. . . . The fourth unfavorable factor is the high dollar value of inventories . . . . In addition to these four unfavorable points, account must be taken of the fact that the postwar business boom which set in during the winter of 1945-1946 has now run three years, about as long as have most major business recoveries in the past." As an offset to the unfavorable items Mrs. Axe notes a plentiful credit potential and the "high level of expenditures for armament and European relief."

Jonathan B. Lovelace, President of the Investment Company of America, in his report to stockholders dated two weeks ago, makes some interesting observations which supplement the Axe report. "While new high records were being recorded in the national totals (for business in 1948) a number of industries had problems of weakening demands during most of the year. As we enter the new year, automobiles among manufactured products and steel in the basic materials are about the only important industries in which shortages exist; and it appears likely that these industries will pass from a seller's to a buyer's market during the current year. . . . the decline in general business volume in 1949 should be of moderate proportions, unless a deflationary tax program is enacted. However, there could be sharp declines in profits in many industries as business becomes more competitive, since break-even points are substantially higher than in prewar years. . . ." Of course, the auto order backlog may vanish very quickly and manufacturers do not rely too heavily upon it today. But, even so, these two statements of trust executives present very convincing arguments for following a cautious investment policy.

If distrust of the current commodity price level is the watch word in protecting one's portfolio under conditions detailed above, it is a little difficult for the writer to appreciate managements' preference (at this time) for non-ferrous metals. A modest commitment in gold mining stocks might be understandable, but real interest was shown in coppers and other metals in the non-ferrous group. One company, Wisconsin Investment, however, sold "liquid gold" when the market for oil stocks was "at a high level in the first-half of the year" and added to its holdings of the solid commodity. It notes in the annual report that "gold mining stocks are suitable hedges against an economic readjustment." Four other commitments were made by several trusts in Homestake and Dome Mines.

Kennecott Copper was acquired by more managements than any other security in this group. Nine trusts purchased a total of 9,200 shares, although four others unloaded. Aluminum of America was also outstanding in popularity, two managements making new commitments and six others adding to blocks already held. Thirty-nine thousand five hundred shares of International Nickel were added to six portfolios, one block of which was a new holding. Newmont Mining was also well liked; there were three purchases and no sales. Two new commitments were made in shares of the American Metal Co. and the same in Climax Molybdenum. Sales of Phelps Dodge exceeded purchases, six managements lightening commitments while only four added to portfolio holdings.

Fresh Commitments in Steel

Buying of the steel stocks was highlighted by four trusts in the Seligman group which made entirely new commitments in an industry in which they had previously had no interest. Tri-Continental invested three-quarters of a million dollars, Selected Industries one-half million, Broad Street one-quarter million and Capital Administration $100,000 in one or several of the major companies. Tri- and Selected made commitments in U. S. Steel, Bethlehem, National and Republic.

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How Congress Can Help Small and Large Business

NASD activities source of public dissatisfaction. Ban of pecuniary advantages to nonmembers contrary to the interest of investors and large and small business. Calls for immediate deletion of that part of Maloney Act authorizing such ban. NASD condemned also for circulation of prying questionnaires, price control, unfair trials, and registration of salesmen. Our system of free enterprise threatened. In the public interest Congress should abolish SEC and NASD.

The securities industry is suffering an acute case of the doldrums. Underwritings and sales generally have fallen off. Venture capital is disappearing, adversely affecting both large and small business. Complaints of poor business are legion so that even in sedate and conservative circles, a reversion to door bell ringing is being advocated.

For this deeply disturbing condition there are many causes, most of which in our opinion are ingrained in the administrative activities of the Securities and Exchange Commission and the National Association of Securities Dealers.

Let us center on some of these.

The Maloney Act, the natal bed of the NASD, says:

"Sec. 15A. (i) (1)

The rules of a registered securities association may provide that no member thereof shall deal with any nonmember broker or dealer . . . except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public."

Note the permissive character of the words "may provide."

Now, then, the NASD is the only registered securities association organized pursuant to the Maloney Act, and unless we miss the mark, another will never be authorized or approved by the SEC.

It would have been an evidence of good faith, a gesture in the public interest and in the interest of the securities field for the NASD to have viewed the permissive nature of this provision and to have let it alone.

Instead, it chose to regard the statute as mandatory and through the medium of its Rules of Fair Practice, Section 25, to supply the following elaborate implementation:

"(a) No member shall deal with any nonmember broker or dealer except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public.

"(b) Without limiting the generality of the foregoing, no member shall

"(1) in any transaction with any nonmember broker or dealer, allow or grant to such nonmember broker or dealer any selling concession, discount or other allowance allowed by such member to a member of a registered securities association and not allowed to a member of the general public;

"(2) join with any nonmember broker or dealer in any syndicate or group contemplating the distribution to the public of any issue of securities or any part thereof; or

"(3) sell any security to or buy any security from any nonmember broker or dealer except at the same price at which at the time of such transaction such member would buy or sell such security, as the case may be, from or to a person who is a member of the general public not engaged in the investment banking or securities business."

The effect has been that nonmembers are deprived to a large extent of underwritings, participations and selling concessions. Many, opposed to the very existence of the NASD, nevertheless joined up because they found it neces-

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Facts of Life in Present Capital Market

By EDWARD B. HALL*
President, Harris, Hall & Company, Chicago, Ill.

Mid-West investment banker analyzes current situation in flotation of new capital issues, and points out decline in use of equities in corporate financing. Holds shortage of equity capital, if continued, may weaken corporate capital structure by excess of debt, though up to present time, this has been prevented by ploughing back of earnings. Lays causes of equity capital shortage not only to double taxation of dividends, capital gains taxes and high Federal Reserve margin requirements, but also to widespread belief stocks are not safe investments. Holds investment sentiment can be changed, and urges existing shareholders to subscribe to additional stock issues allotted them.

The face of the capital market as it looks to a business corporation in need of new capital has not changed its expression very much in the last two and one-half years. The president of a good middle sized company needing a reasonable amount of new capital for plant expansion and increased working capital will find on inquiry that he can borrow money for 15 or 20 years or more at a low rate from life insurance companies and, generally speaking, from nobody else.

Edward B. Hall

There's quite a range in rates depending on the type of business, the margin of safety in property and earnings and all the terms—I'd say the range is from 2¾ to 4¾%. Interest is a deductible expense, so with a 38% tax rate, the actual cost of such money after taxes is from 1.70 to 2.95%.

Preferred stock money will cost at least twice these net figures and probably much more than twice unless trimmed up with a strong sinking fund or the privilege of conversion into common.

And when he askes about selling some common stock, he finds that it takes a rather glamorous company to sell common shares at more than four or five times current earnings per share.

In other words, if the money is borrowed there will be no dilution of the earnings per share on the present common stock if the new money can be made to earn about 3% after taxes, whereas if common stock is sold, the new capital will have to earn about 20% after taxes, or earnings on the present shares will be diluted. And the difference is still wider because the loan can be arranged with relatively slight expense. No registration is necessary for a privately placed loan. All that is needed — this is the investment banker "commercial" on this program — all that is needed is to commission a good investment banking firm to act as agent to find the institutions that will make the best terms and to drive a good bargain on the rate and other provisions, plus a modest legal bill for drafting the loan agreement, and a little printing expense. These bills and the agent's commission — I'm really sorry these commissions are so small—seldom increase the total cost of the money on a long-term loan by more than about ⅛ of 1% over the rate named in the note. Stocks, however, nearly always have to be registered with the SEC for public distribution and to cover this as well as the risk of underwriting and the expense of selling to numerous investors, the whole bill of costs may well amount to from 7 to 10% or more of the selling price of the shares.

When faced with these facts of life in the present capital market our company President naturally feels he hasn't much choice.

How do these capital market conditions compare with other times? Here I am going to rely on my memory rather than look up official statistics. Common stocks of good companies sell at four to eight times current earnings, while I'd say that most of the time during the 40 years I've been in La Salle Street it has been the rule for stocks to sell at 10 to 15 times earnings. One reason, of course, is that less than half current earnings are being distributed in dividends, while distribution of 65 to 70% used to be usual. Obviously the dividend yield is still higher than usual, ranging generally from 6 to 10%, while the interest rate on corporate bonds, in the neighborhood of 3%, is the lowest ever, except for a short time a couple of years ago. I'd guess the 40-year average on industrial issues of fair quality was at least 4½%. These are very broad generalizations, but I think they will serve the purpose of showing that the present contrast between the markets for loan capital and common share capital is unusual and extreme.

Decline in Equity Financing

In view of these conditions, it is not surprising to find "The Investment Dealers' Digest," a financial trade journal, in this week's issue reporting new corporate financing in 1948 of $6.6 billion of which only $950 million, or less than 15%, was in the form of preferred and common stocks. Incidentally, more than half the bonds and notes in this list were sold privately to institutional investors and less than half were offered publicly. Of course, most of the bonds offered publicly also went to insurance companies. In 1947 the percentages were not very different. These are the ratios — that stocks are only 15 to 20% of current new financing—that have been featured in many essays and editorials with the conclusion that due to the scarcity of venture capital, American business is hitting the bottle of easy borrowing and reeling recklessly down the royal road to ruin.

More thorough students agree that the shortage of equity capital, if it continues, will be a serious matter, but point out that including a huge amount of retained earnings, the cushion of owners' capital back of the debts has not only not decreased, but has actually increased substantially in the postwar period. Dr. Marcus Nadler at the IBA meeting in December pointed out that in 1947 new capital issues were about $5 billion in bonds, notes and term bank loans and $1.2 billion in stocks, while retained profits, which constituted by far the most important source of new capital, were $10.6 billion. Thus the increase in funded debt of $5 billion was accompanied by an aggregate increase in capital and surplus of $11.6 billion. I do not have a retained profits figure for 1948, but undoubtedly it was larger than the year before.

Incidentally, these are box-car figures. I mean very large. Dr. Nadler mentioned an estimate of $18½ billion for capital expenditures of industry in 1948, which is several times anything prewar.

The Industrial Securities Committee of the IBA had this to say in summing up its report at the December meeting. "With the tendency to finance with debt so widespread in recent years, we necessarily come to the question whether business has piled up a dangerously high debt structure.

"The answer is a definite 'no.' The direction of the postwar trend was not sound, but it has not proceeded far enough to weaken the financial strength built up in earlier years.

"We are led to the conclusion that the period of rounding out the peak in capital requirements finds the larger American business enterprises in sound shape to

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*An address by Mr. Hall at the Midwest Conference of Robert Morris Associates, Chicago, Ill., Jan. 28, 1949.

Why Should the Average Person Own Stocks?

A COMMENTARY ON THE "NEW MARKET" FOR SECURITIES

By EUGENE HABAS*
Vice-President, Hugh W. Long & Co., Inc.

Mr. Habas cites the mutual fund as serving the twin needs of investment organizations for broader community of clients, and the individual for best instrument of investment. Maintains trusts afford protection against long-term dollar depreciation, and otherwise meet requirements of today's taxation and business structures. Lists advantages compared with competing investment media.

There has been much discussion of late concerning the inability of the financial community to reach the "new market" for securities —the people of modest but comfortable means, of whom there are perhaps 4 millions more today than a decade ago. I shall not dwell upon the broad economic reasons why this new market needs to be reached, nor upon the consequences to date, of the lack of success in reaching it. They have been documented in dozens of recent papers and speeches by eminent authorities.

Eugene J. Habas

Behind the great search for good reasons *why* the "new market" needs to be reached I suspect that—at least on the part of those of us in the financial community—there is an even more intensive search going on for something less academic, something more tangible, and that is *how* to reach the new market. It has been an adage in the investment business for some years now that one man's prospect is merely another man's client. With the circle of clients narrowing—for many reasons—it has become imperative for most investment organizations to reach outside the circle for new clients. I strongly suspect—and sadly—that the effort to reach outside the old circle has been ineffectual—at least in part—for this reason. Members of the financial community cannot or do not undertake to answer the question, "Why should the average person own securities?" at least in terms which make sense to the average person.

The meat of my coconut is now ready to be served. I believe that most people should own good securities. Incidentally, I believe that for most people the best kind of a good security is a mutual fund. In telling you why I think these things, I hope to contribute just a little to your knowledge of mutual funds but even more to convince you—if you need convincing—that the financial community of which you are a part offers what most people need in their personal financial planning, whether they realize it or not. And if I may be personal, all this applies as much to you as to your clients.

At the outset I shall touch upon living costs and living cost trends, yesterday, today and tomorrow.

The Increase in Living Costs

In the past century every adult American has had to contend with a living cost "Pinch" during his or her lifetime. Although the 60%-70% increase in living costs since 1933 may strike us individually as a painful and unique experience, the fact is that the cost of living has increased fourfold since 1850. Living costs just about doubled between 1850 and 1865; and beginning in 1895 another long extended rise started which nearly tripled living costs by 1920.

It is cold comfort to know that even in "the good old days," people faced the need to readjust themselves to sharp increases in costs of living—greater increases than we have experienced in the past 15 years. However, there are more important and more useful lessons to be learned from this history of living cost trends:

First, living costs have pursued an irregular upward path for a century. And there is little reason to suppose that this main trend will be disturbed in the years to come. The forces that have produced this trend—constantly increasing supplies of money, higher minimum standards of living, others—are certainly present today.

Second, after each major advance, living costs never returned, subsequently, to where they had been before the advance started. In the depression of the early 1920's, living costs declined by only 15% (after having doubled in the preceding five years). It took the depression of the early 1930's—a depression which rocked our whole social system—to bring about another 25% decrease in living costs.

If history is any guide, clearly it will make only a little difference (a) whether the latest rise in living costs "levels out" in the next year or two (b) whether living costs turn down in this period or (c) whether several years go by before they turn down. The important thing is that there will be no returning to the price levels of 10 to 15 years ago.

Individuals Needing More Dollars

Consequently, personal financial plans for such goals as the education of children, personal travel, the purchase of a home, the building of an estate or retirement fund—all these will now require more dollars than would have been adequate in the 1930's.

The worst of the cost-of-living problem is the lack of apparent cures for it. But if there are no cures, at least there are means for lessening the financial pains it causes. I shall not dwell here upon the most obvious of these—greater conservatism in personal spending habits. Most of us have probably gone as far as we reasonably can in this direction anyway.

The less obvious means for combating inflation is the aggressive use of personal capital. For the businessman, professional man and wage earner this means the use of capital in such a way as to encourage growth of that capital. For retired persons and others living on a fixed income, aggressive employment of capital means making that capital produce more income.

Here is where a modern investing institution—the mutual fund—can make a major contribution. The mutual fund provides a practical, desirable and prduent means

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*An address by Mr. Habas before New York Society of Security Analysts, Feb. 9, 1949.

Return to Gold Inopportune

By FRED I. KENT*
Director, Bankers Trust Company
Chairman, Committee on Finance and Currency, Chamber of Commerce of State of New York

In statement to N. Y. Chamber of Commerce, Dr. Kent, while announcing adherence to policy of eventual return to gold standard, points out under present conditions, with large bank deposits and $32 billion of redeemable E savings bonds outstanding, a gold convertible monetary system might be disruptive since available gold may be insufficient. Hints at possibility of subversive forces raiding gold reserve through currency redemption.

Mr. Chairman and Gentlemen: At the January meeting of the Chamber of Commerce of the State of New York a resolution was passed submitting to the Finance and Currency Committee the question as to whether we should reaffirm the resolution passed by the Chamber in November, 1933, in connection with gold. That resolution approved the gold standard and at the same time requested that it be put back on the books immediately.

Fred I. Kent

You may remember that in the fall of 1933 the dollar was going down and we were approaching the time when the value of gold would be changed to $35 an ounce, which came at the end of January, 1934. Mr. John Schiff, who was Chairman of the Finance and Currency Committee, made the following statement in his report to the Chamber in the May, 1948:

"I would like to point out that we desire a monetary system based on the gold standard in every sense of the word, but we only wish to achieve this aim at the proper time."

That was approved by the Chamber and is the position the Chamber holds today. The only question before us is whether we should demand that our government go back to the former gold standard now.

This is a question that is very important for us to consider. It is something that we cannot allow to pass by, nor to take for granted, as being a justifiable procedure at this moment. However, before we can properly measure the situation as of today, we must take into account conditions as they exist. It is not a question of theory; there is no purpose in bringing theory into the picture just now. It is the conditions which exist today that we must consider.

We have in the United States an indebtedness of $252 billion that we have not yet learned how to manage. Of that $252 billion, $55 billion represents E, F and G Bonds, and of this total, $32 billion are in E Bonds. The reason I mention E Bonds in particular is because the E Bonds are probably held more largely by those who would be inclined to fear panics or anything of that sort. The $32 billion E Bonds are payable on demand; the holders can de-

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*A statement by Dr. Kent at meeting of the Chamber of Commerce of the State of New York, New York City, Feb. 3, 1949.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

There was some slight tapering off in over-all industrial production the past week but, notwithstanding this, total output held moderately above that of the comparable week in 1948.

In the matter of unemployment, latest figures for the week ended Jan. 22 show that continued claims for unemployment insurance increased by 3% and initial claims declined by about 8% for the period.

The continued claims exceeded those of the similar week last year by approximately 67%, while initial claims were about 59% above the like 1948 level.

Though unemployment in the first week in January was placed at 700,000 workers above that of the like week in December, signs of some easing are in evidence, the Census Bureau reports. The total for that week was 2,650,000 workers.

For the period total employment declined to 57,500,000 workers, or 2,000,000 lower than in December, states the Bureau in releasing its figures.

The best available answers for the causes of the rise in unemployment were given by the FSA's Bureau of Employment Security which stated:

"No single factor, no one industry, is responsible. Adjustment of supply to demand, contraction of over-expanded inventories, buyer resistance, returns to seasonal patterns of employment, weather conditions—'too cold or too mild'—each of these factors contributed a share to the unemployment rise."

* * *

With respect to the steel supply situation, magazine "Steel" in a current release states that steel markets are rapidly assuming a more normal aspect and that stringency in supplies of the major products continues, but the signs increasingly point in the direction of supply-demand balance in most items before many more months pass.

Expanding steelmaking capacity, continued high production and slackened requirements from some consuming directions are definitely serving to relieve steel demand pressure, this trade magazine notes. Lessening international tension, however superficial, also appears to be exerting a dampening influence on market sentiment. While the mills continue to ship in unabated volume the buying caution evidenced in recent weeks appears to be intensifying. Some consumers are apprehensive of a collapse in demand with buyers withdrawing from the market holding larger inventories than now suspected. For the most part, however, the great majority of consumers, and the steel producers, anticipate no severe contraction in buying. Considerable momentum remains in most manufacturing lines despite a leveling off here and there, and new inquiry coming to the mills is in far greater volume in the major products than they can handle promptly.

Up to the present time the easing in pressure on the market has largely involved so-called premium tonnage. This is in line with expectations, the trade paper observes, adding that considerable premium tonnage continues to move into consumption, however, with various mills throughout the country continuing to quote prices well above the generally recognized market level. Some of these prices may be in for fairly early downward adjustment.

* * *

Weather conditions in many parts of the nation had an adverse effect on shopping in the past week. Although retail dollar volume fractionally exceeded that of the similar week last year, it fell slightly below the previous week. Consumers insisted upon good quality merchandising at moderate prices.

The dollar volume of wholesale orders rose fractionally last week and continued close to the high level of the comparable week a year ago. Spring bookings were not as numerous as they were this time last year, but this was generally attributed to the longer Easter season this year. Collections continued to be less prompt than a year ago.

STEEL OUTPUT SCHEDULE AT FRACTIONALLY LOWER RATE FOR CURRENT WEEK

Further proof that the steel market was trending to a more normal condition is found this week in the automobile field, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. In the auto center there was less pressure on steel mill offices with most steel buyers there getting their full quotas. Some buyers were being offered hand-mill products at less than former "premium" prices and more consumers were getting bonus tonnages from mills. Such tonnages arise quickly on mill schedules because of isolated cancellations by other users.

Auto firms were still taking all the steel they could get and showed no signs of canceling tonnage. But the contrast to steel market conditions in Detroit this week to what they were only six months ago is enough evidence to say that things are rolling towards normal and faster than had been expected, the magazine notes.

For the first time since the end of the war steel customers are super price conscious. Some have ironclad contracts for high-priced conversion steel which run for a long period, but not all users of conversion steel have such contracts. Many are already turning down offers of ingots and relying on regular mill sources for their steel, this trade authority reports.

The pattern in the steel market this week as it works its way to a normal condition is clear, states "The Iron Age." It is acceptance of the fact that gray market steel is out of the picture except for emergency uses which are becoming less frequent; elimination as quickly as possible of conversion deals; avoidance of premium-priced steel and reliance as far as possible on regular mill shipments. So far this is only the beginning of the steel consumer's fight to get back on a "regular" footing. But the day of easy steel which would take care of a lot of manufacturers' worries is still not yet here, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week

(Continued on page 30)

Observations . . . .

By A. WILFRED MAY

The Liberals Seek the Big Stick

Possibly the most discouraging feature of our domestic political situation is the complacency and confusion persistently embraced by anti-Communist "liberals."

Fitting into this category is the "New Leader," a weekly pamphlet with a strong anti-Communist position, whose contributing editors include such men-of-good-will as Max Eastman, Harry Gideonse and John Dewey. In an editorial enthusing over President Truman's attempted differentiation between national planning and control, qualms over the President's logic are summarily dismissed with the following typical materialistic conclusion: "But the problem, after all, is not one of semantics. If President Truman is able to foretall, evade, prevent, get on without a depression, the people of this country will not be inclined to worry overmuch either about the means or the words which he employs."

A. Wilfred May

Admittedly our problem is not one of terminology in defining socialism, liberalism, collectivism. But is is nonetheless disastrous to fall in with the common propensity to justify *whatever* means are used for forestalling potential depression. Surely the citizens of this country are vitally concerned with their enjoyment of freedom and democracy—and not merely as an outworn platitude. And at the very least the American people will worry over the *means* employed by Mr. Truman to pursue his Utopian ends—provided they are not deliberately misled about the actual loss of independence arising from socialization elsewhere, in degrees varying from the Russian to the British experiments.

We must remember that Mussolini was celebrated for getting his trains back on the timetable, and that Stalin achieved the noble ends of *full employment* and *economic balance* (excepting the starvation years 1931-32) for his fellow-Soviets.

Democratic Camouflaging of Socialism

In an importantly-attended speech here a fortnight ago Geoffrey Crowther, editor of the "Economist" of London, pinned the test of his country's socialist experiment on the fact that the British electorate is still able to "correct errors." "Only democracy provides deliberate opportunities for the correction of error. If there be error in the socialist experiments it will be corrected," is offered in condonation of the nationalization and socialization of the British community. But this presupposes the possibility of an objective recognition of "error" in directing the redistribution of the nation's wealth by the recipients of the "erroneous" largesse (including the 14 million payees of annual government checks).

Another democratic come-on, constantly offered by Washington protagonists to prove that the *Fair Deal* is not Socialist, is citation of the people's right to criticize their government. But this is also a boasted attribute of Britain's Socialist Government. "What divides us from the Soviets is not their views on the matters I have been discussing, but their views on my right to discuss them," says Mr. Crowther. And if our Norman Thomas were to be elected President of the United States, abolition of free expression would be about the last thing he and his Socialist Party would institute. Even Stalin said that the transition to Socialism can temporarily respect parliamentary procedure, civil liberties and due process of law.

Planning versus Democracy

In his recent breezy off-the-cuff economic sermon President Truman managed to realize that a *"controlled"* economy is totalitarian and hence bad, but propounded the thesis that contrastingly a *"planned"* economy is democratic and a part of the American way. Of course, the full life and prosperity-for-all are incontrovertibly pleasing aims, but let not the far-reaching implications of *governmental* economic planning be euphemistically distorted by false analogies with *individuals'* planning of their business, of their housebuilding, or with city planning. The difference that must be realized is that under planning by the government, the economy—by coercion if necessary—becomes altered in all ways necessary to bring about the blue-printed specifications drawn up by the central planners. Under "national prosperity budgets" already being prepared by our Washington economic architects; or under levels of employment, wages, and prices as fixed by "the government," the free market must be altered —yes, regimented— to fit the plan, in lieu of the converse democratic procedure. Just as the planners did not stop short of completely debauching the monetary system, they will not rest with an academic "study" of the need for government entry into the steel business.

Camouflaging planning by attaching to it the label of *liberalism* is to indulge in dangerous fantasy. This is particularly true if liberalism is recognized as the process of getting the State to use the Big Stick on those whose sin it is to be members of the so-called "conservative" minority. For who will there be left to keep the Stick down to reasonable proportions?

Increased Bank Reserves—Threat To Employment and Production

By EVANS WOOLLEN, JR.*
President, American Bankers Association
Chairman of the Board, Fletcher Trust Company, Indianapolis, Ind.

ABA head, urging wider area of agreement among political factions and cooperation and understanding between banking and government, upholds right of dispassionate criticism. Sees at present no need for higher bank reserve requirements and points out dangers of reduced business and employment from loan contractions. Holds proposals to extend Federal Reserve authority over nonmember banks is threat to dual banking system, and criticizes enlarging lending power of governmental agencies while endeavoring to contract private credit.

At the last election, the American people selected the Administration and the legislative majority which are to guide us through what promises to be a momentous period. The election was so much of an upset of the generally expected result that we are inclined to measure its decisiveness in terms of surprise. Analysis shows that it was less decisive than surprising. An enormous minority registered its dissent. It may be guessed that, by and large, that dissent was not from our foreign policy which in its formation and execution has, to this time, enjoyed a large measure of bi-partisan support. The dissent was presumably in considerable part from the concept of the "Welfare State," which one high in our government has called "the political discovery of the twentieth century." The "Wall Street Journal" says editorially that it thinks that the "Full Employment State" would be a more accurate description than the "Welfare State."

Evans Woollen, Jr.

Whether we call it by the one name or the other, to claim it as the discovery of our century might be questioned. Hear Herodotus on Pericles:

". . . now the city was sufficiently provided and stored with all things necessary for the war, they should convert the overplus of its wealth to such undertakings, as would hereafter, when completed, give them eternal honor, and, for the present while in process, freely supply all the inhabitants with plenty. With their variety of workmanship and of occasion for service, which summon all arts and trades and require all hands to be employed about them, they do actually put the whole city, in a manner, into state pay; while at the same time she is both beautiful and maintained by herself. For as those who are of age and strength for war are provided for and maintained in the armaments abroad by their pay out of the public stock, so it being his desire and design that the undisciplined mechanic multitude that stayed at home should not go without their share of public salaries, and yet should not have them given them for sitting still and doing nothing, to that end he thought fit to bring among them, with the approbation of the people, these vast projects of buildings and designs of works that would be of some continuance before they were finished, and would give employment to numerous arts, so that the part of the people that stayed at home might, no less than those that were at sea or in garrison, etc., etc., etc."

So new is the "Full Employment State" or "Welfare State." It remains to be seen—perhaps later in the century—whether that concept is to prevail; but certain immediate conclusions are to be drawn.

*An address by Mr. Woollen before the 30th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 7, 1949.

Working Together After Election

The first of those conclusions, in my judgment, is that no people are worthy of the high privilege of a free election, except as they have the capacity for working together after the election. I believe that this conclusion would hold at any time, but that it forces itself upon us now with a compelling urgency. That urgency is the international crisis. It would be one thing if we were engaged merely in a struggle of power politics or in a clash of nationalist aspirations or in a game of diplomacy. But it is quite another thing; for it is all of these, plus a conflict of fundamental ideology. On the other side of that conflict there is a profound conviction. Let us not deceive ourselves about that. That their standards of truthfulness and integrity in international dealing may be different from ours, or may be wholly lacking, affords no measure of their conviction. Mr. Eric Johnston has said in a recent address that you could administer a military defeat to Soviet Russia and still you would not have stamped out international communism. I believe that this is true because of the conviction of its adherents.

If all this be true, then what we need above all else is an American conviction. That is the essential tool for the accomplishment of either one of two alternatives. Those two alternatives are: working out a basis upon which the two ideologies can live together in this world, or conducting a war to the destruction of one or the other. Before long, as time is measured by history, we must select one of those alternatives. Whichever our selection, I say, we need an American conviction.

Attaining and sustaining that conviction is, up to a point, more difficult for us than for those who follow the other idea. We draw no design of fancied perfection. Democracy tolerates imperfection for the sake of freedom. America salts all of life with humor and deals irreverence to everything that is mortal. These are safeguards in our ways which should make our conviction sounder when once attained.

The debate in an election campaign brings into prominence all of those topics upon which differences exist. The objective of the debate is the advantage of the participants. This kind of debate is useful but it does not settle differences.

Need Wider Area of Agreement

We need now a general participation in that most civilized form of debate, when the objective of all participants is to widen the area of agreement and understanding. We need understanding. We need understanding between government and business; between capital and labor; between finance and industry; between ownership and management. We need understanding between those who lead and those who follow and between those who have and those who have not.

With a wide participation in that kind of debate we can find the foundation of cooperation and of an American conviction.

The second conclusion is that, working together, there can and should be constructive and dispassionate criticism. This is essentially consistent with the American conviction itself, where we start with an acknowledgment of imperfection. It implies a struggle toward improvement.

The banking industry of America would in very large part, as I believe, accept these two conclusions of present need, namely: cooperation and constructive dispassionate criticism.

Banks Should Be Free Implements

We wish our banks not to become bureaus of government, but to remain as free implements of the economy. To remain so, we must be reasonably in step with the economy as it is, and we must from time to time be for something which is a little more up to date and a little more realistic than the doctrine of *laissez faire*.

Organized banking, like every segment of the nation, feels an impelling duty under existing circumstances to make common front with the government wherever possible. We shall bend our efforts toward the widening of that common front. We shall approach this task in an attitude of respect and with a wish to win respect for our own purposes.

That we could not do unless while cooperating, we exercised our privileges of questioning and of criticism. In so doing we invite question and criticism of ourselves. We now raise some questions in behalf of our industry, and in the public interest.

The President having outlined a framework in his messages to Congress, and Congress having barely undertaken the task of filling it in, we admit to some perplexity about the intentions of the government with respect to credit.

In this field the Administration has again asked that the Federal Reserve Board be empowered to raise reserve requirements to 36%, 30% and 24%, respectively, against the demand deposits of central reserve, reserve city, and country banks, and 10% against time deposits. The Board's present maximum authority with regard to reserve requirements would have expired on June 30, next, and it is assumed that the Board will ask Congress to extend the requested additional reserve requirement authority indefinitely.

Moreover, the Administration has recommended that the Board's authority to administer reserve requirements be broadened to include nonmember insured commercial banks. It has also asked that the Board's powers over consumer credit, which also would expire on June 30, be extended.

Economy Is in Balance

All of these powers may be requested of Congress in spite of the

(Continued on page 23)

From Washington Ahead of the News

By CARLISLE BARGERON

The complete phoniness of the Administration's attack upon the Taft-Hartley Act is being manifested daily. None of its spokesmen so far seem to have much knowledge of what is in the law. An exception is Chairman Paul M. Herzog of the National Labor Relations Board whose main, if not sole concern, however, is to return to the board its sweeping power over labor-management relations on a rather thinly-veiled understanding that he will lean over backwards towards labor. It is an open secret in Washington that considerable of the attack on the law is with a view to getting rid of the general counsel, Robert N. Denham. The idea is to so rewrite the act as to take his authority away from him and make him subordinate to the board. If this can be accomplished, there is little question as to how a man of Herzog's leanings will administer whatever legislation is finally involved. His administration will be so completely lop-sided, in fact, that the legislation itself would become relatively unimportant.

Carlisle Bargeron

As to the knowledge of the present act's provisions by the Administration's spokesmen, there is the case of Congressman Ray Madden, of Indiana, selected as the first of three radio speakers to defend the Administration's action.

"We told you we were gonna repeal the Taft-Hartley Act and we're gonna do it," was the extent of his enlightenment to the radio listeners; there was no discussion of the alleged injustices worked by the Act.

Mr. Madden is a member of the House Labor and Welfare Committee and it was a delight to observe him while the committee was considering the Taft-Hartley Act in 1947. He sat about fourth down the line on the minority side of the table. This meant that with the Republican majority having the right to question the witnesses first, there were about 12 questioners ahead of him. He had it timed to appear at his place whenever it came his turn to question. He never sat around to listen to what the other members brought out. He would go about his other and undoubtedly pressing business. Reporters covering the hearings used to lay bets as to whether he would miss his turn but invariably as the member just preceding him finished his questioning, in would strut Mr. Madden.

"I would like to ask a few questions," he would say. Then turning to the labor leader—he would never question the critics of the old Wagner Act, just its friends—

"Is it or is it not a fact that until the Wagner Act was passed that management committed terrible wrongs against the working people?"

The labor leader would look up surprised and answer:

"Yes, that is a fact."

"And I want to ask you further if the Wagner Act has not worked to improve relations between management and labor?"

"Yes it has."

It would go on this way for about ten minutes as the reporters giggled and the other committee members grinned.

One day, Madden asked a labor leader:

"Is it not a fact that you were recently praised in an article in the 'Saturday Evening Post' as an outstanding and honorable leader in the labor movement?"

Perplexed, the labor leader said he hadn't seen the article.

"Then I will read from it," said Madden pompously.

"Do you admit to being the man to whom that refers?" asked Madden when he had read the passage.

The labor leader admitted it and Madden said:

"That is all."

Young John Kennedy, just elected from Massachusetts, picked up the article and observed that inasmuch as it had been introduced he would like to read another passage.

It described the labor man as, although having the qualities previously attributed, also having an uncontrollable ambition and as being withall a pig-head.

"You'll admit that refers to you, too, won't you?" Kennedy asked puckishly.

It is doubtful if Madden can explain a single provision of the Taft-Hartley Act.

To a lesser extent this is true of Secretary of Labor Tobin. He is the man selected, naturally, to go before the Senate Committee and tell it why the Taft-Hartley Act should be repealed. Outside of that much heard about promise, he doesn't really know.

Before the committee, he is surrounded by a host of aides. They try to give him the answers to the questions fired at him, but they are not doing a very good job.

The way in which the Administration is proceeding with the very important matter of labor-management legislation is not far removed from just plain mob rule.

Two with Stone & Youngberg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Morton E. Lichtman and Frank H. Walsh have become connected with Stone & Youngberg, Russ Building, members of the San Francisco Stock Exchange.

Miller, Kenower Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Mrs. Helen R. Sims has been added to the staff of Miller, Kenower & Co. Ford Building, members of the Detroit Stock Exchange.

Crowell, Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Marjorie Meyersahm has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Miss Meyersahm was formerly with Harbison & Gregory.

Chicago Exch. Members

CHICAGO, ILL.—The Executive Committee of The Chicago Stock Exchange has elected to membership Huntington B. Henry of Ames, Emerich & Co., Inc., Chicago, and Frank A. Miller of James E. Bennett & Co., Chicago.

Monetary Fund Derelict in Warnings of Dollar Shortages

By WILBERT WARD *
Vice-President, National City Bank of New York.
Chairman, Administrative Committee, Foreign Credit Interchange Bureau

Foreign trade banking expert calls attention to slow and inadequate information on credit and "dollar shortage" conditions in foreign countries, and contends International Monetary Fund is derelict in not furnishing this information as required by its charter. Sees expansion of central banking abroad as contribution toward releasing information of balance of payments position in various countries, and thus aiding in restoring normal trade relationships.

In the Minutes of the meeting of the Foreign Credit Interchange Bureau of Jan. 5, I notice quotation of a letter from the Federal Reserve Board announcing that a committee has been appointed to explore the possibility of extending the reports on export bills and letters of credit in Latin America, which have been disseminated for some time by the Federal Reserve Bank of New York. You will recall that at the time that venture was proposed I questioned its value. I still regard it as a slow, cumbersome, bureaucratic method of collecting post-mortem statistics concerning situations which our membership have long since forewarned each other. I regard the present proposal as more of the same. If there is any value in knowing that the importers of any country are "slow in the trade" that information is adequately garnered from the collection experience of the 12 New York City banks from whom the Federal Reserve Bank of New York gathers it. Whatever solace foreign credit men would derive from confirmation of the fact that their misery is being shared with a larger company scattered throughout the United States is not worth the trouble. What would be of value is a forewarning that a dollar shortage in any foreign market is in the making. It is a characteristic of the export business that it is often the nation as a whole, and not the individual buyer, that becomes "slow in the trade." The buyer may be solvent and liquid, with an abundance of local currency with which to purchase dollars, but if his country has incurred an adverse balance of payments in international account, the dollars cannot be purchased with his local currency. The only way that he can honor a bill of exchange drawn in dollars is to deposit the local currency equivalent and engage to make further deposits to meet any depreciation in its value until dollars are again available. The point is, it is misleading in such a situation for the export credit man to rely on or seek to evaluate the cerdit worthiness of his buyer. When the buyer's country is deficient in dollars, what is needed is some mechanism by which the export credit man can determine whether it is something more than a temporary congestion. With respect to that matter the information presently being compiled—and what is proposed to be compiled—is not illuminating. I would like to see the Foreign Credit Inter-Change Bureau sponsor an imaginative approach to the solution of this problem of foreign credit extension. The solution is to find some organization which has the information, and is willing to reveal it. In 1944, Mr. Walter Lippmann made a suggestion in an article entitled "To Keep the Score." He outlined the exporters' problem in this language:

Wilbert Ward

"Obviously, every American company and bank which hopes to do business abroad expects eventually to be paid in the only coin which is real money in the United States—that is to say, in American dollars. To be paid in pounds sterling, French francs, Russian rubles, would not be a payment to an American unless he went to England, France, or Russia to live. . . .

"That is the elementary principle that you cannot sell to a customer if he hasn't the money to pay his bills. Everyone understands it as a matter of course when he is doing business inside the country. But we have never fully grasped the fact that this same principle applies to foreign business. The most probable explanation for our ignoring this elementary principle in the economic disaster which followed the last war, and for continuing to ignore it now, is that until about 25 years ago what was called the gold standard but was in fact the worldwide dominance of the London money and commodity markets, regulated our international trade for us. Though we have now to regulate it ourselves, we have not yet learned how."

Mr. Lippmann's solution was to propose a Bureau of the Budget of International Payments, directed to the purpose of reminding the government agencies, the Congressional committees, the business interests, and the country as a whole, that we cannot remain solvent unless the budget of our international transactions is kept in balance.

Wants Information of Trouble Ahead

There is no question but that we would be nearer an understanding of the dimensions of our international financial commitments today had such a bureau been operating since 1944. How-

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*Remarks by Mr. Ward at the Monthly Meeting of the Foreign Credit Interchange Bureau, New York, City Feb. 2, 1949.

Trust Investment Problems Ahead

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler, in pointing out difficulties experienced in making trust investments under inflationary conditions, indicates inflation, for time being, has run its course, and with likelihood that money rates for immediate future will remain fairly steady, main problem of trust investment officer is in selecting securities by placing emphasis on safe return. Says there is no adequate hedge against inflation in purchasing of equities, but sees in present stock prices opportunities for selecting high-grade equities offering prospects of steady return.

The last few years have been extremely difficult ones for trust officers. The steady rise in prices of commodities and of the cost of living has cut the purchasing power of the dollar almost in half as compared with the prewar period. Interest rates on high-grade obligations including tax-exempt bonds, have tended to decline and during the past few years have been exceedingly low. At the same time, up to the end of the war, taxes continued to mount.

Dr. Marcus Nadler

All these factors combined to reduce materially the income and particularly the purchasing power of beneficiaries of trusts. The hardest hit were those beneficiaries of trusts in which the trust deed required the trustees to invest only in bonds or mortgages. On the other hand, where trustees were permitted to buy equities the beneficiaries fared better, particularly where the selectivity was based on the desire to hedge against inflation.

The experience of the past few years has shown that even equities, broadly speaking, were not particularly a good hedge against inflation. This is apparent by a comparison of the Dow-Jones averages over a period of years.

It is indicated in the accompanying table, that from the end of 1941 to the end of 1945 stocks rose considerably. During the same period, however, the purchasing power of the dollar decreased only moderately and hence the need to seek a hedge against inflation was not great. After the war, with the repeal of the various controls, prices began to rise sharply, the purchasing power of the dollar declined rapidly, yet prices of equities decreased and were lower at the end of 1947 and 1948 than at the end of 1941. Hence those who bought equities in 1941 and held them until today would have counteracted to a considerable extent the decline in the purchasing power of the dollar, particularly since dividends paid out during the last two years were larger than in 1941. On the other hand, those who bought equities at the end of the war, in anticipation of the lifting of controls and hence of a sharp increase in prices, would not have fared so well. Whether equities are a hedge against inflation or not depends on the timing of the purchase and sales. It is, however, of interest to note that the sharp rise in prices of commodities was not accompanied by a corresponding movement in prices of equities.

The inflationary period has thus been detrimental to beneficiaries of trust funds. In this respect, they share the fate of all other groups of individuals who are more or less dependent on a fixed income and are not in a position to demand a higher income to compensate for the constant rise in the cost of living. Inflation is an invisible tax on all those who live on a fixed income. In part it constitutes the cost of the war borne by those people who invested their savings in fixed income-bearing obligations. The social and economic consequences of inflation are far-reaching, and it is impossible to say what effects the recent inflationary movement will have.

Questions Confronting Us

Hardly had the trust officer adjusted himself to the conditions brought about by war and inflation, when a new set of problems arose which are bound to have a pronounced effect on the investment activities of the trust department and the trust company. Briefly summarized, the principal questions that will confront us in the period ahead are as follows:

(1) What is the outlook for business? Have the forces of inflation run their course, or will the new measures proposed by the Administration and new demands for higher wages renew the spiral of prices and wages, thus bringing us back to where we were only a few weeks ago? Will the present period of readjustment degenerate into a serious recession accompanied by a decline in employment and profits or will it be marked by greater stability?

(2) What is the outlook for money rates? Can one expect a further rise in yields, as was witnessed during 1948, or will the downward trend which set in shortly after the election continue, thus further reducing the income on new investments?

(3) How will postwar conditions and the increased expenditures of states and municipalities affect the tax-exempt market?

(4) How will the changed outlook for business or any increase in taxes that Congress may vote affect earnings and hence dividends of corporations and prices of equities?

The investment problems confronting the trust officer are all the more complicated because the traditional relationship between prices of bonds and prices of equities which prevailed for a number of years has been completely upset. Prior to 1934 a strong equity market was, as a general rule, accompanied by a weak bond market. This was because of the close relationship between the equity market on the one hand and the demand for brokers' loans on the other. A strong equity market invariably led to a material increase

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*An address by Dr. Nadler before 30th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 8, 1949.

Wholesale Commodity Prices and Stock Prices

Dec.—	Purch. Power of the Dollar Wholesale Prices 1935-39=100	Wholesale Price Index 1926=100	Dollars Per Share: Dow-J. & Co. (65 Stocks)	Industrial (30 Stocks)	Public Utility (20 Stocks)	Railroad (20 Stocks)
1941	85.9	93.6	36.92	110.67	14.38	25.33
1945	75.1	107.1	72.36	192.74	38.26	63.67
1946	57.1	140.9	63.97	174.38	51.18	36.77
1947	49.3	163.2	63.66	179.18	33.04	49.43
1948	*48.7	162.2	63.66	176.31	33.09	53.27

*October, 1948.

Metal Consuming Industries And Steel Consumption

By K. W. TIBBITTS*

Vice-President, National Credit Office

Pointing out steel industry output in 1948 was above all previous records, except 1944, Mr. Tibbitts disputes President Truman's statement additional steel making facilities are needed. Contends additional raw materials are not available for increased capacity beyond that planned for 1949. Analyzes position of metal using industries and concludes, with exception of auto industry, pent-up demand has already been met and inventories are accumulating. Sees general easing up of tight raw material situation.

Some knowledge of the processes by which steel is manufactured is necessary for a full understanding of the issues which presently confront the steel mills. The industry records its production in terms of pig iron and ingot steel. Pig iron is the product of a blast furnace, which might be described roughly as a steel pipe, lined with refractory material, 100 feet high, and up to 28 feet in diameter. Into the top is charged iron ore, coke, limestone. Through the bottom is blown cleaned and superheated air. The resulting combustion at very high temperatures reduces the ore to metallic iron, melts it, and purifies it as the limestone combines with the impurities in the ore. The molten iron periodically is drawn off from the bottom of the burner.

K. W. Tibbitts

Of importance to our discussion is the huge bulk of material involved in this process. Seven and one-half tons of these ingredients are required to produce one ton of pig iron. When an installation includes several furnaces, each capable of producing 1,200 or 1,300 tons of iron a day, there must be handled in a confined area each 24 hours as much as 50,000 tons of material. The construction cost of one blast furnace today approaches $15,000,000.

Pig iron is converted into steel by adding to it equal amounts of steel scrap. This mixture is reheated in steel making furnaces where further impurities are burned out. Carbon or other alloys are then added, depending upon the analysis of steel desired. The molten metal is then cast into ingot moulds.

The resulting ingots are subjected to further finishing operations to meet the widely varied requirements of the customer. They may be rolled into bars which are hammered into shape in drop forges—the mechanization of the blacksmith's arm and hammer. They may be reduced to rod from which wire is drawn or from which bolts, nuts, screws and nails are fashioned. Rolling mills squash the ingot into thin sheets, of varying thickness and widths, rolling out these sheets at the incredible speed of 70 miles per hour. Innumerable items are then stamped from these sheets, such as automobile bodies, cake pans, or refrigerator cabinets.

Even this very brief description is enough to suggest the multiplicity of sizes, shapes, and varieties of steel which the mills are called upon to make in order to satisfy the demands of their customers who produce an infinite number of parts and finished products.

Production in 1948 broke all previous records except for the peak war year of 1944. There were last year poured by the 240 blast furnaces 60.7 million tons of pig iron and 88.5 million tons of steel ingot. The latter represented an increase of 3.7 million tons over 1947 and compared with 61.7 million tons in 1929.

*An address by Mr. Tibbitts before the New York Chapter of the National Institute of Credit, New York City, Jan. 25, 1949.

Is Greater Steel Capacity Needed?

Of far more than casual interest to the industry today, is the suggestion in the President's State of the Union Message to the effect that additional steel making facilities may be needed. It is not our purpose tonight to endeavor to resolve that argument. It cannot be disputed, however, that a fully supportable decision would have to rest on a far more exhaustive study than has so far been made. Several facts will, perhaps, enable you to reach your own conclusion.

First, the industry has increased its capacity as the above production figures testify. When the war closed, many mills had to be changed to produce the types of steel commercially in demand. There is relatively limited use in the peacetime economy for the heavy plate required for military purposes. Furnaces worn out by four years of constant wartime operation, had to be rebuilt. Further, the construction of facilities capable of producing 10 million tons of additional steel, as suggested by the government, would, in itself, have contributed to the steel shortage, for steel mills and blast furnaces are themselves made of steel. Substantial tonnage would have had to be diverted from commercial channels.

Further, even though these facilities were available, it is doubtful if there would have been enough raw material. It was previously stated that ingot steel is made of equal parts of pig iron and scrap metals. Millions of tons of scrap that otherwise would have been available are lost beyond recovery as a result of the war—battleships lying on the bottom of the ocean for example. The scrap drive throughout the war cleaned out the nation's cellars of their accumulation of junk. Automobiles, refrigerators, washing machines which by now would have reached the scrap pile are still in use, because of previous shortages and high cost of replacements.

Where Locate the Facilities?

But assume for the purpose of further discussion that it were advisable to initiate at the present moment a large scale expansion program. Where should the new facilities be constructed? Gradually the high-grade iron ores are being consumed. At some time in the future the principal source of supply may shift from the Lake Superior region to other localities, such as Labrador or South America. Traditionally, steel making facilities have been located in reference to the availability of raw materials. If, in the not too distant future, the industry were to depend upon the newly discovered deposits of ore in Labrador, blast furnaces perhaps should be located near the St. Lawrence, if that waterway eventually is opened up. If not, perhaps on the Eastern Seaboard, or perhaps in the Gulf of Mexico area, to take advantage of the South American supplies. The elimination of the basing point system of pricing also might well influence the decision.

In the meantime, expansion on a more moderate scale does continue. In 1949, capacity for 2,750,000 additional tons of ingot will be added, either through the construction of new facilities, or the further improvement of existing facilities. It is a sobering thought, furthermore, that production equal to more than one-half of the new capacity added in 1948 was lost as a result of the coal strike.

Metal Using Industries

The balance of our discussion will be devoted to a brief review of the several industries which are the most important because of the amount of steel and non-ferrous metals which they consume. In considering them, it is significant to bear in mind that in none of these industries was there any production of consequence for civilian use during the four years beginning with 1942 and ending with 1945.

Aircraft Industry

The aircraft industry uses relatively small amounts of steel, but accounts for a very substantial part of aluminum consumption, and some of the other non-ferrous metals. The manufacturers of military and commercial planes in 1946 and 1947 sustained losses of $45 million, after tax carry-back recoveries. The industry's working caiptal in this two-year period declined $166 million. The explanation of the substantial losses is fourfold. 1946 dollar volume for the entire industry was $710 million, as contrasted with $5½ billion in the preceding year. The magnitude of its reconversion problem is obvious. Secondly, unusually heavy engineering expenses were incurred in the design of new commercial planes. Third, additional losses were experienced in the commercial plane program for, to satisfy the pent-up demand of the airlines for new planes, shortcuts were taken which proved to be very costly. The deterioration in the financial condition of some of the airlines led to substantial cancellations for new planes, causing additional losses. Finally, efforts to diversify activities so as to lessen dependence upon aircraft business were, in the main, unsuccessful.

Despite these losses, the industry as a whole is in a very favorable balance sheet position. Working capital today is approximately $450 million, compared with only $64 million in 1939. Industry sales in 1948 were approximately $1 billion. In the absence of large scale cancellations by the government, 1949 production should be somewhat larger. The industry is doing a great deal of sub-contracting within itself, so that practically all of the 15 major producers should do well in the current year both saleswise and profitwise. There are problems to be faced, however, for this industry is particularly vulnerable in respect of renegotiation, possibilities of termination, and interruptions in production because of frequent design changes.

The manufacturers of personal aircraft since the war have passed through a complete cycle. In the four years immediately preceding the war, total production was approximately 25,000 planes. Capacity of these plants was so vastly increased during the war, that in

(Continued on page 29)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy—Circular—Kerr & Co., 704 South Spring Street, Los Angeles 14, Calif.

Banks—Comparative analysis of 37 representative banks as of Dec. 31, 1948—**Paine, Webber, Jackson & Curtis**, 25 Broad Street, New York 4, N. Y.

Dallas Banks—Data on four of largest banks—**Rauscher, Pierce & Co.**, Mercantile Bank Building, Dallas, Texas.

Graphic Stocks—Special edition containing monthly highs and lows and yearly earnings and dividends during period 1924-1935, and 744 charts covering virtually every stock listed on the New York Stock and Curb Exchanges—F. W. Stephens, 15 William Street, New York 5, N. Y.—$15.00.

Insurance Stocks — Analysis — White & Company, Mississippi Valley Trust Building, St. Louis 1, Missouri.

New Corporate Bonds Issued During 1948—Tabulation—Union Securities Corporation, 65 Broadway, New York 6, N. Y.

New York Banks & Trust Cos.—Comparative figures as of Dec. 31, 1948 on leading New York City banks and trust companies—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Banks—Breakdowns of government bond portfolios and sources of growth income 1948 on 19 New York City Bank Stocks — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Stocks—Discussion of value of stocks today with the early 1940's—Daniel F. Rice and Company, 14 Wall Street, New York 5, N. Y.

Western Canada Oil Industry—Data—Charles King & Co., 61 Broadway, New York 6, N. Y.

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Amalgamated Sugar Company—New analysis—**Edward L. Burton & Company, 160 South Main Street, Salt Lake City 1, Utah.**

American Chicle — Circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Florence Stove** and **U. S. Foil Company.**

American Home Products—Discussion of growth situation — Bache & Co., 36 Wall Street, New York 5, N. Y.

Also available from the Chrysler Building office of the firm is an up-to-date circular of **"News and Views."**

Bendix Aviation—Circular—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Pacific Lighting Corp.**

Budd Co. — Circular — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available is a circular on **Stocks** with recommendations for **1949.**

Commonwealth & Southern Corp.—Circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Walt Disney Productions—Recent analytical circular — Gross, Rogers & Co., 458 South Spring Street, Los Angeles 13, Calif.

Coral Gables, Fla. Tax Participation Notes — Memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Dow Chemical Company—Analytical memorandum—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

International Cellucotton Products Co.—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Missouri Utilities — Analysis — Ira Haupt & Co., 111 Broadway, New York 5, N. Y.

Also available is an analysis of **Central Arizona Light & Power Co.**

New York Central—Analysis of Junior Bonds—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are brief data on **Canada Dry, Creole Petroleum, F. W. Dodge, Du Pont, Eastern Airlines, General Motors, Johns-Manville, Mid Continent Petroleum Co., New York, New Haven & Hartford, Shell Union Oil,** and **Warren Bros.**

Northern Pacific Railway Company—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a brief information on **Chicago, Burlington & Quincy.**

Pinellas County, Fla.—New issue of revenue bonds—Circular—Allen & Company, 30 Broad Street, New York 4, N. Y.

Public Service Company of Indiana, Inc. — Detailed memorandum—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Strawbridge & Clothier—Memorandum—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Also available are memoranda on **John B. Stetson** and **Warner Company.**

Stromberg Carlson—Circular—George D. B. Bonbright & Co., Powers Building, Rochester, N. Y.

United Aircraft Corp.—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Also available is a list of **Public Utility** dividend-paying common stocks.

United Carbon Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are brief analyses of **Reed Roller Bit Company, Humble Oil & Refining Company,** and **Houston Oil Company,** and a study of **Public Service Company of Colorado.**

United States Government Securities and the Money Market—Review of 1948 and outlook for 1949 — Brochure — Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Victor Fuel Co. — Descriptive literature—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Zonolite Company — Detailed report—Robert Strauss & Co., Board of Trade Building, Chicago 4, Ill.

With Thomas Darst & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Robert Strange has become associated with Thomas Darst & Co., Southeastern Building, Greensboro, N. C.

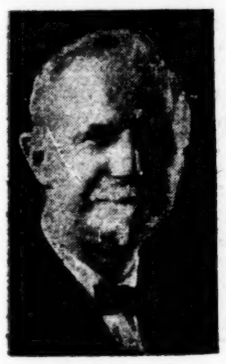
National Productivity

By ROGER W. BABSON

Mr. Babson, pointing out machines make jobs in addition to doing 95% of our work, asserts still more increased productivity is needed and that future income will be adequate to absorb increased production schedules. Says $50 billion more capital could be invested in next decade for industrial modernization. Holds continued good business "is up to Truman."

Mr. Ghandi, rest his soul, advocated a return to the spinning wheel because "machines kill jobs." Without machines, our unrivalled living standards in this country would be totally impossible.

In the last 75 years our workers have become more and more productive. Today they produce four times as much goods as they did then. When Abe Lincoln was a boy, about 79% of our productive energy was supplied by animals, 15% by humans, and 6% by mechanical means. Today only 3% is supplied by animals and 2% by humans. Whereas, the machine does 95% of our work for us!



Roger W. Babson

The thought that mechanization is the root of all evil is as old fashioned as grandpa's six-shooter in an atomic age. The key to our high standard-of-living is increased character, intelligence and productivity through mechanization. The results: shorter working hours, more take-home pay, vacations with pay, social security, and a standard-of-living that has Joe Stalin scared to death.

Conditions Favoring Growth

In order for any of God's creatures—plants, animals, or humans—to prosper and develop fully, they need the right environment and the right food. Industrial America burst into bud and blossomed forth in the last 100 years because it had the right food and the right environment. Surely, we have abundant resources; but so has Russia. What we have had that Russia has lacked has been a religious, political and economic environment which encouraged risk taking. This combined system has encouraged and made possible the venture capital to harness the mechanical energy which put money and men to work.

Don't blame the next depression on machines. Blame it on men. The machines are working all right. All they need is a constant tuning up in keeping with the times. But both the men owning and those operating these machines must constantly work for the good of the world as a whole and not for any one selfish group.

Increased Productivity Needed

There is as great a need for capital investment today as there was when I was a boy. We could readily invest $50 billion over the next decade in industrial modernization. We need to put another $50 billion into housing in order to bring our housing program up to decent standards. We could easily use many billions for streets and highways. There is certainly a need, therefore, for increased savings. These are possible only with lower taxes.

Projected studies indicate that future income will be quite adequate to absorb increased production schedules. In order, therefore, to increase our production capacity, we need considerably more venture capital. By 1950-55, our consumer market will be better than double 1929's—or, after taxes and savings, about $115 to $120 billion left to spend. The money is, therefore, there for goods and services. The resources are there. Why, therefore, do we hesitate?

Good Business up to Truman

Venture capital is being scared away. The outlook for profits is uncertain. Investors are timid. They fear an unfair deal by Congress. Spotty capital investment contributes to retard production and cause unemployment. Only with fair taxes, fair wages and fair profits, is it possible to plow back into the business sufficient funds to keep new construction and current production rising and to cause costs to go down. If our great America is to forge ahead, we need to create the proper environment for its growth. This means encouraging venture capital—not taxing it to death. Let us hope that President Truman realizes this basic economic fact.

Floyd D. Cerf, Jr., to Form Own Inv. Co.

CHICAGO, ILL.—Floyd D. Cerf, Jr., Company, Incorporated, is being formed with offices at 120 So. La Salle Street. Officers are Floyd D. Cerf., Jr., President and Treasurer; Lester R. Cooper, Vice-President; and Charlotte E. Kornak, Secretary. Mr. Cerf and Miss Kornak were formerly associated with Floyd D. Cerf Co. Mr. Cooper was with Clement, Curtis & Co.

Joins Dean Witter Staff

LOS ANGELES, CALIF.—Fred C. Haupt is with Dean Witter & Co., 632 South Spring Street.

Henry Herrman & Co. To Be NYSE Members

With the admission to partnership of C. Fred Richards, member of the New York Stock Exchange, Henry Herrman & Co., 52 William Street, New York City, will become members of the Exchange on March 1. Other partners are Henry Herrman, William M. Cahn, Jr., and William O. Gay, Jr.

Atlantic Securities Co.

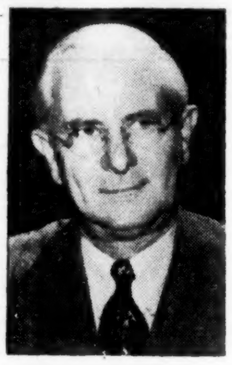
John Hoge has formed Atlantic Securities Co. with offices at 699 Madison Avenue, New York City, to engage in the investment business.

Government's Obligations to Business

By HON. CHARLES SAWYER*
Secretary of Commerce

Commerce Secretary says policies to develop teamwork between government and business are based on propositions: (1) economic needs of nation should be taken care of by business; (2) government should undertake to do that which business cannot and does not care to do; (3) government should enforce rules of fair play in business; and (4) government should bring business in councils of government on policies that affect welfare of the economy. Cites operation of Federal Barge Line as aid to business, and denies it has hindered private barge operation. Explains steel allocation and export controls.

When officials of the Federal Government formulate policies for guiding the country through these difficult times, they must visualize the great expanse of land and the millions of people in America. The policies of the government are not made in a vacuum; they are made in relation to the needs of the businessmen, the farmers, the workers, the housewives, and the children in all parts of the country. In the councils of government one hears a great deal about the "grassroots"—about the needs and opinions of the people "at the grassroots." This term means something different to every official who uses it. To me it brings to mind the vast and fruitful area of the Mississippi Basin.



Charles Sawyer

In a very real sense this is the heartland of America. In this Basin is the greatest expanse of fertile and well-watered soil in the world. Here the great railroad systems of America have their largest freight yards. In these yards the meat and grain and cotton produced on your farms are assembled and shipped to all parts of the country and to the world. And through the same yards the products of America's factories flow back to the people who produce the food, the cotton, the fuel, and countless other products of your area that form the blood and tissue of our economy.

As Secretary of Commerce I am particularly concerned with the needs of businessmen. I know something about business myself, and I have lived and done business on the banks of the Ohio. Since I went to Washington nearly a year ago I have reflected at length on the relations between government and business, about the ways in which government and business can work together for the good of the nation. I have tried to develop a philosophy of teamwork between business and government. As I said a few weeks ago in speaking before the National Association of Manufacturers, teamwork requires restraint, sacrifice, understanding, and, above all, active and enthusiastic participation in a common and important effort. I shall continue to talk about this relationship—because nothing is more important to the welfare of this country than the building of a sound and sympathetic understanding between business and government.

Mutual Obligations

Business and government have mutual obligations—what are the obligations of government to business? I can mention a few:

(1) Government owes it to business to remember that most of the country's economic needs should be taken care of by business, and that business should be given the greatest possible freedom in meeting these needs.

(2) Government owes it to business to make certain services available to all business and to undertake for the good of all business certain activities that business cannot or does not care to undertake itself.

(3) Government owes it to business—big business and small business—to enforce certain rules of fair play so that all businessmen can compete on the same basis and with no undue handicaps.

(4) Government owes it to business to bring business into the councils of government and to work openly with business in the development of policies that affect the welfare of the economy.

These are simple principles. They become meaningful when they are applied to concrete situations. Let us test them out against a few concrete situations.

The Federal Barge Line

Let me start with a problem that affects you practically as businessmen in the Mississippi Basin and me as the Secretary of Commerce. I refer to the problem of the Federal Barge Line and its future.

As background for my discussion I want to sketch briefly the history of the Barge Line.

In the 20 years before the start of the first World War the waterways of the Mississippi system had been used chiefly for the transportation of crude oil and coal. Great fleets of coal barges were a common sight on the Ohio and the Mississippi. The Federal Government helped to make this traffic feasible by keeping the channels free of snags and by building locks and dams where necessary to provide year-around navigation. One of the most profitable uses of river navigation was the transportation of coal from the upper Ohio to New Orleans, where it was used for fuel by ocean-going ships. In 1907, for instance, the steamer Sprague took a tow of 62 coal barges from Louisville to New Orleans. These barges carried 70,000 tons of coal and covered seven acres.

The picturesque days of the old river boats had long since passed. River transportation for passengers and general merchandise had been replaced by the railroads, and the rivers were used almost exclusively for the movement of bulk goods in fleets of barges. A few farsighted businessmen became concerned over the failure to use the natural advantages of the water highways for transporting general merchandise. In 1905 a group of businessmen in the Missouri Valley formed the Kansas City-Missouri River Transportation Line, and built towboats and barges to carry freight from Kansas City to St. Louis. This organization worked against tremendous odds in trying to operate a river freight system on the wild and unimproved Missouri, but the line continued in existence until the end of the first World War.

The first effective move to restore an all-around freight service on the Mississippi system came during the first World War. The nation's railroads were clogged with the heavy wartime traffic, and people looked to the long-neglected waterways of the Mississippi Basin as a way to relieve the pressure. Under the direction of the Railroad Administration, a Federal Barge Line was organized. Boats and barges were acquired wherever they could be found. The equipment of the Kansas City Missouri River Transportation Line was taken over. Two towboats and 20 barges were chartered from the Army Engineers. With this small fleet the Federal Barge Line began operations on Sept. 28, 1918.

In the first year of operation, 100,594 tons of freight were transported. Soon the increasing demand for service resulted in the construction of six large twin-screw steamboats of 1,800 horsepower each, and 40 2,000-ton barges. During the first few months the Barge Line carried only local freight between river towns, but soon joint rates with connecting railroads were established. By the end of its second year a fourth of the business of the line consisted of freight that was carried partly by water and partly by rail. The line was carrying a wide variety of goods, mostly in carload lots.

During the early years of its existence, the Barge Line rapidly extended its routes and added to its equipment. Freight of all kinds was being carried on the Mississippi between New Orleans and St. Louis, and a route was established from New Orleans to Mobile and Birmingham. By 1924 the tonnage carried by the Line had increased to 1,071,000 tons. A comprehensive rate structure had been arranged with connecting railroads so as to integrate the barge service with the transportation system of the entire Midwest. The Federal Barge Line still had no permanent status, however, and was operated only as a branch of the War Department. It could not do business freely as a corporate concern. Moreover, its fleet was still inadequate to meet the demands of the traffic.

In 1924, as a result of demands from the shipping public, Congress passed the Inland Waterways Corporation Act. This act gave the Barge Line the status of a corporation and financed it to the extent of $5 million. Under the management of the Inland Waterways Corporation, the Barge Line expanded its operations steadily. This steady growth was aided by the efforts of the government to improve the navigation facilities of the Mississippi system. On the Ohio, 53 dams and locks were built to provide dependable channels for year-around navigation. The Mississippi River Commission was created to set up a program for improving the channel in the lower Mississippi. As a result of this Commission's findings, extensive work was done to straighten the channel and strengthen the banks.

In the last 20 years the development of the navigation facilities in the Mississippi Basin has proceeded steadily. A dependable nine-foot channel now links such important centers of industry as Pittsburgh, St. Louis, Chicago, New Orleans, Cincinnati, Houston, the Twin Cities, Peoria, Galveston, Birmingham, Mobile, Louisville, Memphis, Knoxville, and Dubuque. In a few years the cities in the Missouri Basin—Kansas City, Omaha and Sioux City—will become part of this network.

Improvement of the river channels by the Federal Government has resulted in a tremendous growth of the barge industry. In 1920, 25 million tons were han-

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*An address by Secretary Sawyer at Annual Banquet of the Mississippi Valley Association, St. Louis, Mo., Feb. 7, 1949.

Merchandising Your Dollars

By JULES BLECHER
Partner, Neuberger & Berman, Members New York Stock Exchange

Writer points out purchasing securities is business venture calling for keenest judgment, greatest vigilance and flexibility of action. Says mistakes should constantly be appraised and securities experts should be consulted.

It is a well recognized fact that out of a hundred businessmen and executives who know how to make money there are perhaps 10% who know how to invest it with the same shrewd "know-how". Men of the various professions such as doctors, lawyers, teachers, etc., have on the whole shown themselves even more woefully lacking in the fundamentals which would enable them to succeed as investors.

Jules Blecher

In purchasing a portfolio of securities you must realize that you are setting yourself up in a business venture which calls for the same realistic "merchandising of money" that is entailed in any other enterprise. "Money must earn money" to be successful in any kind of business and that calls for the keenest judgment, greatest vigilance and flexibility that one has at his command.

The oft-repeated bromide, "I put them away and forget them, as long as they pay me dividends" has proved to be a snare and a delusion in the security markets. It is probably the main reason for most losses and for most of the pathetic-looking lists of securities. Economic and political changes are too important to be neglected in their application to securities, so that reappraisal is constantly in order. Too few people inventory their holdings regularly based on actual market quotations. This should be done with relation to a standard set of security tabulations such as the Dow-Jones Averages, so as to "chart" your progress or retrogression. In other words, on January 1, with the Dow-Jones Averages at 177, the value of your account is X dollars. By methodical inventory of your account related to the Dow-Jones Averages, you can realistically see if you are doing better or worse than the rise or fall of the market and then, if you are doing worse, begin to search for the defects of your "merchandising of your money."

The successful business executive is the first one to recognize that "the first loss is the best loss." The decision to take small losses is most important, as they can so readily become very large losses. The ability to understand where you have erred in a percentage of security selections is very often the basis of handling funds to best advantage. This show of realism is unquestionably the difference between the successful investor and the poor investor. There are, of course, exceptions. For instance, a well selected security may go lower in a cycle of prices tending downward, but the danger of large loss is incurred where a stock is purchased for more or less transient reasons (usually emotional). The most stubborn trait in an investor is brought out in his attempt to average his original mistake—with the final result an overwhelming loss. The shrewd merchant who has a loss on some of his merchandise will not buy the same thing just because he can buy it cheaper.

Candidly appraising your mistakes and handling them courageously enables you to still retain a major percentage of your equity and maintain a "going business." Staying with a security just because it pays a dividend is surely not the correct answer, for income is secondary. It is the protection and conservation of principal amount that makes for the success of your fund. The security priced at 50 paying a 4% dividend means a fluctuation of two points per year and any number of stocks selling at about this price level can change that number of points in a few days.

The years 1946, 1947 and 1948 showed the Dow-Jones Industrial Averages closing at approximately 177, 181 and 177 respectively, but many securities in groups such as coal, oil, television, advanced as much as 50% while other securities in groups such as auto trucks, beverages, containers (glass) declined about as much.

It is most important to have a certain proportion of cash relative to the value of your holdings in reserve, the percentage depending on various factors. Being fully committed should be the exception rather than the rule. This permits a calmer and colder appraisal of news that causes markets to change appreciably and tends to check the emotional reaction of people who hold more stocks than they can or should comfortably carry. Attempting to make money quickly only means taking greater risks and usually this is done with little study of the securities in question. Conservative growth of principal can best be attained by buying good securities as a result of thorough analyses combined with the correct timing of price cycles. This calls for experience, judgment and courage to determine when certain securities are underpriced with relation to the market level.

In conclusion it would appear that the important thing for the average investor to do is to ask himself the following fundamental question: "How well equipped am I to compete with the expert in the security world which is as competitive as any business to make my principal amount increase?" For those who have tried, their net figures should furnish them with their immediate answer.

"The main point with me," said Cyrus H. K. Curtis, founder of the Curtis Publishing Company, "has always been to get somebody who could do a job better than I could do it myself."

William Rice to Be Davies-Mejia Partner

SAN FRANCISCO, CALIF.—Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, will admit William R. Rice to general partnership and Gertrude Y. Rice to limited partnership on March 1. Mr. Rice has been associated with the firm for some time.

Graham, Parsons & Co. Admit Three Partners

PHILADELPHIA, PA.—Graham, Parsons & Co, 1421 Chestnut Street, members of the New York Stock Exchange, will admit Dudley H. Bradlee II, Clayton F. Banks, Jr., and Charles P. White to partnership on Feb. 17. Mr. Banks in the past was with C. C. Collings & Co. Mr. Bradlee and Mr. White are associated with the Boston office, 10 Post Office Square.

Attacks On British Austerity

By PAUL EINZIG

Dr. Einzig reports opposition to British Government's austerity program both by its Right-wing opponents and its Left-wing supporters. Points to criticism of British ban on luxury imports, and foresees more persistent demands by British labor unions for higher wages as threatening austerity policy.

LONDON, ENGLAND—The Government's policy of austerity is under heavy fire, not only on the part of its political opponents but also on the part of its political supporters. Both Conservatives and Socialists are attacking it, even though from totally different angles.

Dr. Paul Einzig

At a time when Sir Stafford Cripps, the Government, and the British nation as a whole, are complimented upon the self-denial practiced for the sake of achieving equilibrium, there is at least a possibility that this policy may have to be weakened somewhat by concessions to meet Right-wing and Left-wing criticisms.

Conservative criticism is directed mainly against one of the basic principles of the Four Year Plan, under which even in 1952 luxury imports are to be kept down to a minimum. This principle is subject to strong attacks not only by those who disapprove the Government's equalitarian philosophy, but also by those who believe that the undue curtailment of luxury imports is bound to recoil heavily on British luxury exports and is therefore detrimental to the prospects of balancing Britain's international accounts.

The argument runs roughly as follows: The equilibrium of Britain's balance of payments depends very largely on luxury exports. In particular Britain's earnings of hard currencies are derived to a considerable degree from the export of goods which cannot by any manner of means be described as necessities. At present the government's policy is to earmark the bulk of the limited output of luxury industries for sale abroad. In a great many lines the overseas demand still exceeds the supply available. This is an important point to remember, because it means that the high cost of production does not hinder the export of the goods in the lines concerned. Yet the cost of production is bound to be high owing to the relatively small volume of production. And the only way in which this volume can be increased substantially would be through an expansion of the domestic demand.

Most exporting industries depend in the first instance on the steady demand of the domestic market, without which mass-production is impossible and overhead charges are apt to be prohibitive. But the official British policy aims at keeping down home consumption of luxuries. This aim is pursued partly through the allocation of priorities of labor, fuel and raw materials to industries working mainly for export, and partly through the imposition of a heavy, almost prohibitive, purchase tax on all luxuries. This purchase tax is not charged on goods exported, and even in the absence of any other measures it should go a long way towards keeping down domestic demand for luxuries. This system is workable in a sellers' market, but as soon as British luxury exports have to cope with foreign competition in a buyers' market they will find themselves gravely handicapped by their relatively high cost of production due to the absence of an adequate domestic market. Possibly the purchase tax rates—which in many instances are as high as 100%—may then be lowered. Even so, the levelling down of incomes by high direct taxation will continue to keep the domestic demand for luxuries within narrow limits. British luxury industries will continue to depend on their overseas markets.

The government's critics argue that under the Four Year Plan Sir Stafford Cripps intend to keep down even the export markets for British luxuries, as far as Western Europe is concerned. For the limitation of luxury imports is based nowadays on the prinicple of reciprocity. The less continental luxuries Britain will buy the less British luxuries will be sold on the continent. This in itself would not affect the British exchange position. But it does tend to narrow down further the volume of British luxury production, and it does tend to keep up the cost of production. This would mean that it affects unfavorably the competitive capacity of British luxury exports in countries outside Europe. Britain would earn less hard currencies, and her trade balance with hard currency countries would be affected unfavorably. Nor is there any hope to correct this position through aiming at export surpluses in Europe. For it is contended, European currencies will remain inconvertible, especially if, owing to the inability of continental countries to sell luxuries on a large scale in the British markets, their capacity of competing for hard-currency markets also suffers.

The conclusion inferred from the above argument is that the government's equalitarian policy, so far from tending to increase Britain's capacity to import necessities, tends actually to work in the opposite sense. This argument may be one-sided, but it is decidedly stronger than the contention that if only Britain imported more she is bound to benefit by it in the long run in some mysterious way; or that the import of luxuries is essential in order to induce the British worker to work harder for the sake of buying the luxuries most of which, incidentally, he neither wants nor can he afford to buy.

As for the Left-wing opponents of austerity, their case is put in a much less sophisticated form. Many spokesmen of the working classes maintain that, unless the government can see its way to reduce the cost of living, the labor unions are fully justified in demanding higher wages. The policy of Sir Stafford Cripps is based on the maintenance of a wages ceiling. Already there have been very substantial wages increases since the inauguration of that policy, and there are signs that wages demands will be heavier and more impatient. The workers feel they are entitled to another rise on account of the increase of the cost of living during the last two years, which reduced their spending capacity, even though compared with prewar level their real wages have, if anything, increased. The government will find it much more difficult to resist this opposition to austerity than that of its Conservative critics.

Marvin S. Mitchell Opens

BONNER SPRINGS, KANSAS —Marvin S. Mitchell is engaging in a securities business from offices at 202 North Nettleton.

Edw. C. George Named Harriman Ripley V.-P.

Pierpont V. Davis President of Harriman Ripley & Co., Inc., announces that Edward C. George, Manager of the investment banking firm's Chicago office, 135 South La Salle Street, since 1941, has been elected Vice-President in charge of Chicago and midwestern operations. Mr. George, who joined the firm in 1938, succeeds the late Nathan D. McClure.

Mr. George entered the investment banking business in 1919 upon graduation from Northwestern University. A native of Chicago, he has been active in all government bond drives and community chest campaigns. He is a former President of the Bond Club of Chicago. During World War I, Mr. George served as 2nd Lieutenant in the Field Artillery.

Valley Grain Company

KANSAS CITY, MO.—Paul Uhlmann is forming the Valley Grain Company with offices in the Board of Trade Building. Officers will be Mr. Uhlmann, President; R. Hugh Uhlmann, Vice-President, and Edward G. O'Dowd, Secretary-Treasurer.

Herrick Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — Herrick Waddell & Reed, Inc., 8943 Wilshire Boulevard, have added to their staff Alex G. Anderson, John C. Lackey, Jr., Raymond L. Marsile, and Doyne E. Morris. Mr. Lackey was previously with First California Co.

Sheather With Cohu Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John P. Sheather has become affiliated with Cohu & Co., 634 South Spring Street. Mr. Sheather was previously with First California Co.

Bache Market Letter Has "New Look"

Bache & Co., members of the New York Stock Exchange, gave the usual stereotyped Market Letter "the new look" this week.

Henry Gellermann

Issued every Tuesday, it is attractively prepared written in entertaining but crisp newsstyle and packed with latest news developments from the field of finance and industry.

Its present distribution centers around Mid-Manhattan where the firm maintains an office in the Chrysler Bldg. It is written by the firm's Advertising and Public Relations Manager, Henry Gellermann, formerly of the United Press who makes his headquarters with the main office of Bache & Co. at 40 Wall St., New York City.

With Marache, Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William B. Bowen, formerly with First California Co., has become associated with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Lester & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John R. Nevins is with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Illinois Brevities

Public offering was made on Jan. 26 of 82,500 shares of Insurance Exchange Building Corp., Chicago, common stock (par $10) at $14.75 per share. These shares represent the interest in the properties of the late Max Pam or his heirs since the construction of the North Building in 1912. The other 50% is owned by the trustees of a trust created by the late Ernest R. Graham. The corporation is the owner of the office building, called the Insurance Exchange Building, and owns all of the stock of Underwriters Building Corp., which in turn is the owner of an office building adjoining the Insurance Exchange Building. Associated with Central Republic Co. (Inc.) in the offering are the following additional Chicago bankers: A. C. Allyn & Co., Inc.; Riter & Co.; Straus & Blosser; Hickey & Co., Inc.; W. C. Gibson & Co.; Ames, Emerich & Co., Inc.; Julien Collins & Co. and Sills, Minton & Co., Inc.

Halsey, Stuart & Co. Inc. on Jan. 20 headed a group of investment bankers who publicly offered $10,000,000 Central Illinois Public Service Co. first mortgage bonds, series C, 3⅛%, due Jan. 1, 1979, at 102.375 and accrued interest. The net proceeds are to be used by the utility firm to pay for the cost of additions, extensions and improvements made or to be made to the properties of the company.

A group of six underwriters also headed by Halsey, Stuart & Co. Inc. on Feb. 3 publicly offered $5,000,000 first mortgage bonds, 3% series due 1979, of The Union Light, Heat & Power Co., a Kentucky corporation. The net proceeds will be used to retire $2,067,000 of 6% first mortgage bonds, series A, and $228,700 of 6% first mortgage bonds, series B, both due Aug. 15, 1949, and the balance to finance, in part, new construction.

On Jan. 12 the same Chicago bankers headed another group of investment bankers who on Jan. 12 publicly offered $3,210,000 Chicago, Burlington & Quincy RR. 2¼% equipment trust certificates, at prices to yield 1.30% to 2.52½%, according to maturity. They will mature $107,000 semi-annually from July 1, 1949 to Jan. 1, 1964, inclusive.

Another underwriting syndicate headed by Halsey, Stuart & Co. Inc. on Jan. 13 offered $1,870,000 International-Great Northern RR. 2½% equipment trust certificates due serially $187,000 on each Jan. 15, 1950 to 1959, inclusive, at prices to yield 1.60% to 2.80%, according to maturity. The Illinois Co. and McMaster Hutchinson & Co., also of Chicago, participated in this offering.

* * *

Sunbeam Corp., Chicago, proposes to increase its authorized capital stock, no par value, and to pay a 25% stock dividend on the 540,000 shares presently authorized and outstanding. It is also proposed to maintain the the present regular quarterly dividend rate of 50 cents per share on the increased number of shares to be outstanding. At the time of such stock dividend there would be transferred $3,240,000 to stated capital out of earned surplus.

Sunbeam Corp. reports for the fiscal year ended Dec. 25, 1948, a net profit, after taxes, of $5,752,843, equal to $10.65 per share, as compared with $3,440,546, or $6.37 per share, for the fiscal year ended Dec. 27, 1947. Sales for the parent company and its subsidiaries for the 1948 year totaled $41,171,009, against $29,183,806 for the preceding year.

Another group of Illinois investment houses on Jan. 18 participated, together with others, in the public offering of 685,000 shares of Southern Indiana Gas & Electric Co. common stock (no par value) at $19.50 per share. The Chicago bankers were: A. C. Allyn & Co. Inc.; A. G. Becker & Co. Inc.; Central Republic Co. (Inc.); Mason, Moran & Co.; Harris, Hall & Co. (Inc.); Sills, Minton & Co. Inc.; Bacon, Whipple & Co.; William Blair & Co.; The Illinois Co.; H. M. Byllesby & Co. (Inc.); Julien Collins & Co.; Farwell, Chapman & Co.; Mullaney, Wells & Co.; Carl McGlone & Co., Inc.; and Martin, Burns & Corbett, Inc. The net proceeds are to be used to pay for new construction, etc.

* * *

The preferred stockholders of the Liquid Carbonic Corp. on Jan. 28 approved a long-term 3½% loan of $10,000,000 from two New York insurance companies for the purpose of retiring bank loans.

* * *

A nation-wide group of 94 investment bankers headed by Reynolds & Co., New York, N. Y., on Jan. 13 publicly offered 40,000 shares of $3 cumulative preferred stock ($50 par value), with nondetachable common stock purchase warrants, and 1,000,000 shares of common stock ($1 par value) of Affiliated Gas Equipment, Inc. (Del.), the preferred stock at par and the common stock at $9.25 per share. In addition, the latter firm completed arrangements to sell, by private placement, to insurance companies an issue of $4,000,000 15-year 4% notes. The net proceeds are to be used in connection with the acquisition of three wholly owned subsidiaries of Dresser Industries, Inc., namely: Bryant Heater Co. (Ohio), Day & Night Mfg. Co. (Calif.) and Payne Furnace Co. (Calif.), and the balance to finance capital expenditures during the next 12 months and to provide additional working capital. The following Illinois underwriters participated in the stock offerings: A. C. Allyn & Co., Inc.; Paul H. Davis & Co.; Straus & Blosser; Sills, Minton & Co., Inc.; Mason, Moran & Co.; Farwell, Chapman & Co.; and H. M. Byllesby & Co., Inc.

* * *

A secondary offering of 24,306 shares of capital stock of The Peoples Gas Light & Coke Co. was made Jan. 20 at par ($100 per share) by Union Securities Corp., New York, N. Y.

* * *

Clement, Curtis & Co., Chicago, has arranged the private placement of a $1,500,000 3⅜% promissory note due Jan. 15, 1964, of The Lamson & Sessions Co., Cleveland, Ohio, a leading manufacturer of bolts, screws, nuts, rivets and similar products. The net proceeds are to be used to pay for improvements, to retire bank loans, and for additional working capital.

* * *

The directors of Television Fund, Inc., have declared an initial dividend of 10 cents per share, payable Feb. 15 to stockholders of record Feb. 5, 1949. Chester D. Tripp, President, also announced that net assets of this Fund, which started operations Sept. 8, 1948, now amount to $1,010,384.

* * *

Participants in the public offering on Jan. 19 of 627,960 shares of common stock (no par value) at $32.50 per share, and $50,000,000 of consolidated mortgage 30-year sinking fund 3% bonds, series K, due Jan. 1, 1979, of Bethlehem Steel Corp. at 100½ and interest, were the following Chicago investment firms: A. C. Allyn & Co. Inc.; Bacon, Whipple & Co.; A. G. Becker & Co. Inc.; Blunt, Ellis & Simmons; Central Republic Co. (Inc.); Julien Collins & Co.; Farwell, Chapman & Co.; The Illinois Co.; and Kebbon, McCormick & Co. Others included in the underwriting of the bond issue only were: William Blair Co.; H. M. Byllesby & Co. (Inc.); Harris, Hall & Co. (Inc.); and Mullaney, Wells & Co.

* * *

The common stockholders of Central Illinois Electric & Gas Co. of record Dec. 23, 1948 recently were given the right to subscribe for 80,000 additional shares of common stock at par ($15 per share) on the basis of one new share for each six shares held. Rights expired on Jan. 13, 1949. The proceeds will be applied (a) to the payment of $600,000 of bank loans and to provide a portion of the funds required for the present and contemplated construction program of the company. This offering was not underwritten.

* * *

Participating in the public offering on Jan. 10 of 400,000 shares of Koppers Company, Inc. common stock (par $10) were the following Chicago banking houses: A. C. Allyn & Co., Inc., Farwell, Chapman & Co., Kebbon, McCormick & Co. and Sills, Minton & Co., Inc. This issue was quickly oversubscribed at the offering price of $31 per share.

Gearhart, Kinnard & Otis Formed in NY

Announcement is made of the formation of the firm of Gearhart, Kinnard & Otis, Inc., to conduct a general investment banking business and to deal in over-the-counter securities. The new firm will maintain offices at 45 Nassau Street, New York City.

F. D. Gearhart, Jr.

Officers of the new firm are Frederick D. Gearhart, Jr., President; L. Richard Kinnard, Vice-President; Edward V. Otis, Vice-President and Treasurer; and Karl G. Berg, Secretary and Assistant Treasurer.

Henry J. Arnold With H. B. Cohle & Co.

CINCINNATI, O.—H. B. Cohle & Co., Union Trust Building,

Henry J. Arnold

members of the Cincinnati Stock Exchange, announce that Henry J. Arnold is now associated with their firm. Mr. Arnold, who is well known in trading circles, is a past President of the National Security Traders Association.

Merrill Lynch Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Armand H. Ballantyne is with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Advin E. Griffin has joined the staff of Bache & Co., 135 South La Salle Street.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Joseph M. Parker is now associated with Barclay Investment Co., 39 South La Salle Street.

Burr Richards Opens

(Special to THE FINANCIAL CHRONICLE)

DOVER, MASS.—Burr Richards is engaging in a securities business from offices on Burnham Road.

Landon Warns of Excessive Oil Imports

In letter to President Truman, former Republican Presidential candidate says American oil industry is threatened with depression because of heavy influx of imports. Points to sagging crude and refined oil prices as discouraging production and adversely affecting national defense.

Alf M. Landon, former Kansas Governor and one time Republican Presidential candidate, in a letter dated Feb. 2 addressed to President Truman, urged a curtailment of expanding oil imports into the United States in order to prevent a serious recession in home oil prices and production, and as a means of having our oil industry of sufficient magnitude for our national defense. Recommending a quota system directly related to the needs of the domestic industry, Mr. Landon declared that the program would entail sacrifices by American as well as foreign producers.

Alf M. Landon

The full text of his letter is reproduced herewith:

President Harry S. Truman,
White House,
Washington, D. C.

Dear Mr. President:

I am writing on a subject closely related to national defense.

Since the first part of 1948, crude oil imports have climbed from 280,000 barrels a day to nearly 500,000 barrels daily at present.

There has been, however, a decrease in the import of refined products. But even with that decrease the total import has increased 30.2%, as of Nov. 30, 1948.

That is in striking contrast to the increase in demand for all petroleum products in 1948, which was only a few per cent over 1947. Under the impact of this volume of foreign oil, prices of some refined products have sagged, and the price of domestic crude oil is now softening. Lowered crude oil prices would touch off a recession in the American oil industry, for the present price barely represents the replacement cost of oil produced under the present costs of labor, steel and other essential materials.

Aside from the economic factors involved, lower crude prices would be disastrous from the standpoint of national defense. It is a well-known fact that production and transportation of Middle East crude oil could not be maintained in the event of hostilities on any large scale. In such an event, neither we nor friendly European nations could benefit from these oil supplies. Furthermore, without access to Middle East oil, European nations would be forced to turn immediately to this country for their oil supply.

I would never advocate that imports should be curtailed or eliminated simply to permit the producing of domestic oil at the fastest possible rate. But there is a middle course between excessive and inefficient drafts on our own oil reserves on one hand and excessive imports on the other. That course lies in closely regulated import quotas for foreign oil and in the strict observance of the principles of conservation in developing and producing domestic oil. Such a program, formulated with national security and economic welfare as its base, would require that some concessions be made by all interested groups. In light of the stability which this program would create, the cost of these concessions would be small compared with the losses which would result from uncontrolled imports.

I am not one who would gut our oil stockpile simply to insure the American oil industry of high prices and earnings. In the event of a national emergency, that policy would plunge us into the same hole as depending upon excessive imports with its destruction of domestic production and exploration.

I have supported the reciprocal trade agreements which meant an increase in imports of Venezuelan oil. About two years ago, I told Mr. Averill Harriman, then Secretary of Commerce, that I was one oil producer who defended his grant of export licenses for steel in order to enable American companies to develop Middle East oil. I have believed reasonable development of foreign oil supplies and the encouragement of international trade within reasonable bounds to be healthy.

However, it will not be healthy if crude oil imports into this country are allowed to reach a volume which breaks the present price of domestic crude. Lower prices, or even the threat of lower prices, would discourage wildcatting and development, cause premature abandonment of large number of stripper wells, thus causing domestic reserves to diminish instead of to increase as they should, and bring unemployment to many oil industry workers and serious loss to royalty owners, farmers and others who depend on oil income. Such developments would seriously weaken the industry and adversely affect the whole national economy.

Under a quota system directly related to the needs of the domestic industry, the volume of imports could be set periodically at levels designed to provide the volume of additional oil needed after due consideration of the amount which should be produced in this country. Determination of that amount would entail studies of all factors pertinent to a sound national oil policy. This might mean that foreign producers would have to forego supplying a part of the domestic markets which they could supply very profitably in light of their low costs.

Under this program American producers would also have to make some sacrifices. On occasion, restrictions might be imposed on U. S. production as efficiency and national interest dictated.

This would permit us to gradually build up a safety factor, which would be the margin between the ability of fields to produce and actual production. That margin could be put to use if, for any reason, imports were cut off. Such a safety factor enabled us to oil the last war. It might prove equally valuable in some future emergency.

As stated in the foregoing paragraphs, the program I suggest might require that sacrifices be made by all. But those sacrifices would work to the ultimate benefit of all concerned—the consumer, the domestic producer, and the producer in foreign fields.

On the other hand, if the oil industry should be seriously weakened by a lack of foresight in policy, the cost would be paid in one form or another by every citizen. Excessive oil imports would surely have such a weakening effect. Decisive action to allay this threat is urgently needed.

With highest personal regards and best wishes.

Sincerely,

ALF M. LANDON (signed).

Is ECA Disrupting Our Foreign and Domestic Trade?

By A. M. STRONG*
Vice-President, American National Bank, Chicago

Doing business in 1949 is entirely different from doing business in 1939. Ten years ago foreign trade was a free enterprise in the United States. An exporter or importer could go about his business in the same manner as a domestic trader. He was under no quotas, licenses or other restrictions. True, many foreign governments exercised controls over imports and exchange. However, we were highly critical of these controls and felt that they would be maintained only for a short time. We were mistaken; the controls have not only been maintained but intensified abroad and we in the United States have imposed foreign trade controls. We have put chains on our foreign commerce with a maze of regulations and restrictions. An American exporter finds his business so involved that he would rather be engaged in any other enterprise. The average American manufacturer is reluctant to enter foreign trade because of the red tape and intricate procedures.

A. M. Strong

We started out with "emergency" controls over a few exports and a few imports but the "emergencies" have now become permanent. The Secretary of Commerce is now asking for the extension of wartime export controls until June 30, 1951.

After the termination of the war, we established controls over scarce materials. There was logic to it. We needed materials in short supply for our own economy. Later, we added additional controls. We did not want to supply Russia and its satellites with strategic materials that could be used in a war against us. There was logic to it. Now, the Department of Commerce has placed under control everything shipped to Europe and many commodities shipped elsewhere. We seem to be operating on the theory that a pin is a deadly weapon because it can cause blood poisoning; that a shoelace is war material because it may be used for a soldier's shoe.

Since we became a nation we pursued a policy of individual freedom and freedom of trade. It is this policy that has made our country the greatest in the world; that has enabled us to supply the nations of Europe and other parts of the globe with materials and weapons in two wars. It is this freedom that is enabling this country to support the Western European nations, to render aid to other nations and to spend billions of dollars annually on altruistic ventures. Let us maintain this freedom and encroach upon it only in extreme need.

Foreign trade is now integrated with the European Recovery Program. I am not going into the merits of the Program. I hope that the billions of dollars which we are spending will accomplish the proclaimed purpose and that Europe will be self-supporting in 1952. But I do want to touch upon the distribution of purchases under the Program.

As you know, 11 cents of each dollar that you as an individual or as a corporation pay in taxes are spent for European Aid. While we in Chicago and in the Midwest contribute a substantial share of the Aid funds, we are not sharing in the benefits of the Program in the same proportion as other sections of the country. The share of the Middle West in the business created by the ECA has, so far, been negligible. The Board of Directors of the Illinois Manufacturers' Association, being cognizant of this fact, made the following recommendations to the Administrator:

(1) That requests of European nations approved by the Economic Cooperation Administration be publicized well in advance throughout the country, giving the description of the commodity, quantity and other pertinent data which would enable manufacturers, producers and traders in all parts of the United States to determine whether they wish to participate in the business.

(2) That in every feasible manner the nations receiving our Aid be requested to distribute the business equitably throughout all sections of the United States.

(3) That financial arrangements for payments to suppliers under Procurement Authorization and Letters of Commitment be made through local banks.

(4) That government trading represents unwarranted encroachment in the field of private enterprise and that, accordingly, transactions under the European Recovery Program be carried out in every feasible manner through private enterprise.

(5) That in encouraging inter-European trading, the Economic Cooperation Administration take full cognizance of the needs of our expanded industries for overseas markets and should not permit purchases in other countries with ECA funds which will eventually undermine or destroy American foreign markets.

(6) Whenever off-shore purchases are deemed advisable, preference should be given to Latin-American countries, thus enabling our Western Hemisphere customers to continue their trade with the United States.

Mr. E. F. Mansure, President of the Illinois Manufacturers' Association appointed a committee to discuss this matter with the executives of the Economic Cooperation Administration. The committee consisting of Mr. J. L. Donnelly, Mr. A. M. Strong and Mr. G. C. Whipple, met last Friday in Washington with a number of high officials of the ECA and presented the recommendations to them.

I want to thank the representatives of the ECA and of the Department of Commerce and other government agencies who participated in the conference, for their courtesy. However, we have not accomplished much. The ECA officials charged with the responsibility of carrying out the Program, were more concerned with immediate goals than with the long-range interests of our domestic and foreign trade. I gained the impression that they are more concerned with conserving dollars allocated under the Program than with the future of American foreign markets. They are overlooking the simple truth: that in trying to rebuild the 16 Western European nations, we must not disregard our national or local interests, that we must maintain our foreign markets for our expanded industries because, if we do not protect our own interest, we will later need an American Aid Program.

*Opening remarks of Mr. Strong at the World Trade Forum, sponsored by the Illinois Manufacturers' Association, Chicago, Ill., Feb. 3, 1949.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

During the past two weeks several additional fire and casualty insurance companies have issued their annual reports for the year just ended.

In reviewing these statements, the improved results from underwriting for the various companies is impressive. Although losses continued to rise, recent rate increases and a larger premium volume enabled most companies to show a profitable underwriting experience. This was indeed encouraging when viewed against the losses reported by a number of companies last year.

Also, as premium volume continued to rise, a larger amount of funds was available for investment purposes. This, combined with the fact that the return on common stocks of which insurance companies own large amounts was considerably higher, allowed further improvement in investment income.

From the reports issued so far, the results indicate that 1948 was a very profitable year for most insurance companies.

Two of the larger and more prominent companies to publish statements recently have been the Aetna Insurance Co. and the Great American Insurance Co. Comments on the operations of these companies for the past year are presented below.

AETNA INSURANCE—Combined net premium writings for the Aetna group in 1948 totaled $96,222,509 or $2,584,199 higher than the $93,638,410 written a year earlier. The management voluntarily tried to hold down the premium volume and the percentage increase was limited to 2.7%. A considerable portion of the gain was accounted for by the casualty subsidiary. Losses paid also were somewhat higher but the increase was relatively minor when compared with the large gains in other years. Expenses and taxes continued to gain but there too the increase was fairly small.

In spite of the attempt to hold down premium volume, the unearned premium reserve was higher by $6,241,711. This was smaller than the $12,186,420 increase reported a year ago and for this reason underwriting operations were profitable. For the year the consolidated underwriting profit was equal to $3,252,100. This compared with a loss for the previous year of $5,752,642. Income from investments was also higher amounting to $3,420,911 for 1948 as against $2,929,345 for 1947. The increase amounted to $491,566 or approximately 17%.

Based on the 1,000,000 shares of capital stock outstanding, the per share results for the year compared with those of 1947 are estimated as follows. No consideration has been given to Federal income taxes which were charged directly to surplus.

	1948	1947
Underwriting earnings	$3.25	—$5.75
Equity change in unearned premium reserve	2.50	4.87
Net underwriting earnings	5.75	— 0.88
Net investment income	3.42	2.93
Net earnings	9.17	2.05

GREAT AMERICAN INSURANCE—Combined premium writings for this group increased considerably during the past year and reached a record volume of $78,405,141, $10,553,815 higher than in 1947. This was an increase of approximately 15% in premiums.

Operating profit for the group before taxes was $4,978,335 and consisted of $1,010,316 in underwriting earnings and $3,968,019 in net investment income. This compared with 1947 net income of $669,165, including a statutory underwriting loss of $2,809,704 and net investment income of $3,478,869.

With the increase in premium volume, unearned premium reserves also gained although not as much as in the previous year. For 1948 the increase in this reserve amounted to $8,936,924, compared with an increase of $10,677,179 a year earlier. As in the case of Aetna, losses and expenses increased, but with a higher level of operations results were generally favorable.

Great American has 1,630,000 shares of capital stock outstanding. Per share results for the past two years before allowance for Federal taxes are estimated as follows:

	1948	1947
Underwriting earnings	$0.62	—$1.72
Equity change in unearned premium reserve	2.19	2.62
Net underwriting earnings	2.81	0.90
Net investment income	2.43	2.13
Net earnings	5.24	3.03

Daniel Hawkins With William E. Pollock Co.

Daniel W. Hawkins has joined the sales department of William E. Pollock & Co., Inc., 20 Pine Street, New York City. Mr. Hawkins was formerly for many years with Salomon Bros. & Hutzler.

Halsey, Stuart Offers Wheeling & L. E. Equip.

Halsey, Stuart & Co. Inc. and associates were awarded Feb. 2 $2,120,000 Wheeling & Lake Erie Ry. 2% equipment trust certificates, due $106,000 semi-annually Aug. 15, 1949 to Feb. 15, 1959, inclusive. The certificates, issued under the Philadelphia plan, were immediately reoffered, subject to ICC authorization, at prices to yield from 1.25% to 2.30%, according to maturity. Associated in the offering were A. G. Becker & Co. Inc.; Freeman & Co. and McMaster Hutchinson & Co. The proceeds will be used to provide for not more than 80% of the cost, estimated at $2,650,000, of 500 new 70-ton all-steel Gondola Cars.

Basic Aims of Republican Party

By THOMAS E. DEWEY*

Governor of New York

In first political address since election, defeated Republican Party presidential candidate deplores party split due to opposing extremist views in party membership. Cautions those who want to turn back the clock to early 19th century tenets, but opposes following New Deal principles. Says all Americans believe government today has to be more than a cold and impartial umpire, and urges extremists to abandon Party. Attacks Administration's foreign policy as not being world-wide in scope and asserts "we cannot outpromise the Democrats."

It is a great pleasure to come to Washington—even if it is only for a visit. At one time last year I expected to come for a longer stay. I was under the impression, which was shared by a great many others, that I had a clear call to duty. But last November it turned out to be some other kind of noise. As a result, my relationship with this fair city of Washington will continue, as in the past, to merely that of an occasional visitor.

Thomas E. Dewey

Recent events have made it clear that no Republican President was going to live at 1600 Pennsylvania Avenue anyway. No Democratic President is living there either. The White House has been in Democratic hands so long that, like the government itself, it's falling apart.

So, if those 29,000 votes had gone the other way last November, I would have faced a double housing crisis—no White House to live in, and two Democratic houses to live with.

Instead, I find that I have been re-elected for a second straight term to that somewhat mythical office known as titular head of the Republican party. It is an ancient and honorable office that carries with it the theoretical right to speak for the party but no guarantee whatsoever that anybody will listen to you. I have been graduated at a comparatively early age, to the role of elder statesman, which someone has aptly defined as a politician who is no longer a candidate for any office.

With the bluntness which that enviable role permits, I should like to discuss with you some of the ills that beset our party and our country.

It is now 20 years since our country lasted elected a Republican President. In that whole period we elected a Republican Congress, once, two years ago. This is a dismal record that is important not merely to Republicans. It is of desperate importance to the country lest we slip unconsciously into the abyss of one-party government.

Republican Party Is Split

Without seeking to find scapegoats or to make excuses, I would like to bring out in the open one basic problem. The Republican party is split wide open. It has been split wide open for years, but we have tried to gloss it over. We have tried to deny it to ourselves and conceal it. That doesn't work. I suggest that we face it, get it right out in the open and look at it. Then, let's see what we can do about it.

We have in our party some fine, high-minded patriotic people, who honestly oppose farm price support, unemployment insurance, old-age benefits, slum clearance and other such programs. These people consider these programs horrendous departures into paternalism and would actually repeal them all. These people believe in a *laissez-faire* society and look back wistfully to the miscalled "good old days" of the nineteenth century.

They also take the position that the sole duty of an opposition party is opposition. They urge Republicans in and out of Congress to fight every proposal of a Democratic administration, regardless of its merits. This group also honestly believes and says with considerable vigor that all Republicans who support these forward-looking programs are "me, too" Republicans and no better than New Dealers.

At the other extreme are those in the party who seem to embrace the entire New Deal and want to go far beyond it as rapidly as possible at almost any cost and regardless of consequences.

Personally, I disagree with both extremes. The fact that I disagree is not so important, but what is important is that both courses are fatal to our party and would be fatal to the country. If, as a party, we try to go back to the nineteenth century, or even to the 1920's you can bury the Republican Party as the deadest pigeon in the country.

On the other hand, we can't outpromise the Democrats. If we tried to out-bid the Democrats with the public money, it would be wrong, immoral and a betrayal of our party and our country. Moreover, you couldn't out-promise the Democrats if you tried because they will promise anything to anybody to get a vote.

What we ought to do is to stop bellyaching about the past, either the distant past or the immediate past, and start making it everlastingly clear to the country where we stand and why. And that should not be too hard to do.

Wants Forward Progressive Party

It is perfectly clear that only a progressive, forward-looking Republican party can provide the leadership this country needs and must ultimately get. The overwhelming majority of all Americans in both parties believe that government today has to be more than a cold and impartial umpire.

That has been the position of our party consistently, both in the Congress and in our party's platforms. That position has been repeatedly affirmed in national conventions. In 1948, our platform was unanimously voted without one dissent at the National Convention. It must mean something. Unless it was designed to deceive, its various sections say and mean that we are a liberal and progressive party.

To be entirely specific, they say and mean that our party has solemnly declared that we belive wholeheartedly in unemployment insurance, in old-age assistance on an increased basis, in broader social security generally, in slum clearance and public housing, in public development of our water power resources, in farm price supports, in vigorous protection of the rights of labor.

All these are good. They are necessary; they are right; they are the officially declared principles of the Republican party as solemnly adopted in convention assembled. I believe that we, as representatives of our party, are bound by these principles and are under a duty to carry them out.

Those who disapprove of these principles and want to fight them ought to go out and try to get elected in a typical American community and see what happens to them. But they ought not to do it as Republicans. They ought not to get their personal prejudices confused with the basic aims the Republican party has repeatedly set forth in its platforms.

The people who want to turn the clock back are a very small percentage of the Republican party, though sometimes they seem to make all the noise. I believe that 95% of all Republicans, whether as voters or public officers, believe in the party platforms, and it is up to us to make it clear that those platforms are the real intent of the party.

Let's let the people know. Let's stop quibbling among ourselves about issues that are dead and gone.

Party Should Meet Aims of Young

Most of all, we must make our party the vehicle for the aims and ambitions of the young people of the country. One of the most gratifying things that happened last fall was that in the high schools and colleges of this country from Maine to California our party was the choice of a heavy majority of the students. We should welcome these young people with open arms, bring them in, give them a voice in our decisions, a part of the responsibility of carrying them out, and again make ours the party of youth.

But I can still hear people say that if we mean what we say in our platforms, then how are we different from the Democrats? If we mean what Republican speakers said throughout the nation last year in support of our platform, then, they ask, what better do we have to offer than the Democrats?

Differences With the Democrats

The difference is as wide as the ocean. Let me be specific again. In foreign affairs one difference is that we Republicans have insisted on a world-wide foreign policy and not merely a European foreign policy. It is the bitterest irony that it was America's traditional friendship for China and our insistence upon her integrity that brought about the Japanese attack at Pearl Harbor which took us into the war.

After terrible sacrifices, the Allied arms won the greatest military victory in history. And then almost immediately the Communist conquest of our traditional Chinese allies began. It was this present National Administration which supinely sat by and allowed it to happen.

Fifteen months ago I called the attention of the nation to the onrushing tragedy. The Republican Congress forced an appropriation for aid to China. But the Administration failed utterly in its policy and its implementation of that and succeeding appropriations. We now see the appalling spectacle of 400,000,000 people, our traditional friends and allies, the Chinese, threatened with complete Communist conquest.

We are witnessing the frightening spectacle of all Asia, representing a majority of all of the people of the world, falling ever

(Continued on page 38)

*An address by Gov. Dewey at the Lincoln Day Dinner of the Republican Party, Washington, D. C., Feb. 8, 1949.

NSTA Notes

MEMPHIS SECURITIES DEALERS CLUB

At a meeting of the Memphis Security Dealers Club held Jan. 21, 1949, the following officers were elected:


R. Fred Trexler


Richard S. Harris


Benj. F. Ward

President—R. Fred Trexler, J. C. Bradford & Co.
Vice-President— R. S. Harris, M. A. Saunders & Co.
Secretary—Walter T. Foster, Carl M. Loeb Rhoades & Co.
Treasurer—B. Frank Ward, B. F. Ward & Co.

BOND TRADERS CLUB OF SEATTLE

At a meeting of the Bond Traders Club of Seattle held at the Washington Athletic Club on Jan. 28, 1949, the following were elected officers for the coming year:

President—Robert A. Nathane, Merrill Lynch, Pierce, Fenner & Beane.
Vice-President—C. Arnold Taylor, William P. Harper & Son & Co.
Secretary—Homer Bateman, Pacific Northwest Company.
Treasurer—W. L. Stein, Bramhall & Stein.

Cites Leading Role Played by Local Financing In Louisville's Industrial Growth

Charles C. King, of Bankers Bond Co., Louisville, points to work of local investment dealers creating markets for stock of new companies and maintaining markets for old ones.

In a memorandum prepared for the Bankers Bond Co. of Louisville, Ky., Charles C. King points out "few people realize that local investment bankers played a part in Louisville's industrial and financial growth. Many take for granted that certain local industries 'just grew,' like 'Topsy.' Seldom has this happened. Numerous corporations in Louisville received the money for their start from local investment bankers through the sale of securities, sold to the public, by these dealers. Older companies have used the services of investment dealers in securing additional working capital. Many concerns in Louisville were originally financed by family or private funds. Later some of these companies, through the issuance of stocks or bonds, marketed by local dealers, offered an interest to the public in their company. There are local concerns that might not have made the grade had they not had the help of long-term financing as worked out by local investment dealers. The part played by these local investment bankers in the industrial and financial growth of Louisville can best be seen if the local stock list of quotations is used as a guide."


Charles C. King

"Back in 1934," Mr. King points out further, "there were quoted in the local newspapers, under Local Stock Quotations, a total of 23 different issues of stock. Of all the concerns in Louisville at that time, only 23 issues of stock were outstanding in the hands of the public to the extent that a daily quoted market was given. Five years later this list had grown to 40 issues. By 1944, a war period, this list moved up to where 74 issues were daily quoted. A five-year span brings us to 1949, and today there is quoted daily in the local newspapers a total of 115 issues of stock.

"During this 15-year period local investment dealers had to create markets for the stock of the new companies and, in addition, maintain markets for the older ones. Making markets for all these old and new companies meant a lot of work for the dealers and much time and money was spent in educating the investors to the merits and the advantages of owning local securities. Investment dealers in Louisville did have a hand in building up the industrial and financial position of Louisville.

"The Bankers Bond Co. for the past 26 years has specialized in the underwriting and distribution of local securities. Success in this field has not been without disappointments and set-backs, but the knowledge gained will be of help on future operations. We expect to continue this phase of the investment business and trust that we can have a hand in the future of State and local industries. Other local dealers have been associated with us on some of our underwritings. We hope that this fine relationship will continue and that all local investment dealers can work together for the further development of Kentucky industries."

Joins Estabrook Staff

(Special to The Financial Chronicle)

BOSTON, MASS. — Robert A. Kammer has joined the staff of Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Congress and Problems of Small Business

By HON. JAMES E. MURRAY*
U. S. Senator from Montana

Senator Murray, asserting major economic problem facing nation is to prevent serious depression, and, on other hand, to prevent growth of centralized economic power, contends we must revise, modernize and strengthen our antitrust and unfair trade practices laws. Looks for 81st Congress to enact legislation to maintain maximum production, full employment and equitable distribution of national income.

I can claim a certain familiarity with small business and with many of the obstacles it encounters. Back in 1940, I introduced in the Senate the resolution which finally resulted in the creation of the Senate Special Committee on the Problems of Small Business. That action appeared necessary at the time as a result of the serious mortality in the ranks of small business concerns resulting from the great depression. Later the committee became a very useful instrumentality in handling the problems of small business organizations in the war production program.


Sen. Jas. E. Murray

Among the signers of that resolution was one man who had had real cause to know of the vicissitudes which can befall the small businessmen in America. That was the then Senator from Missouri, Harry S. Truman. He had the problems of the small businessman very much in mind back there in 1940 when he joined with other Senators to fight for the creation of the Small Business Committee. Today, as in 1940, he sees small business as presenting one of the major problems of the nation.

Just a few weeks ago, on Jan. 5, 1949, President Truman told the Congress—and I quote:

"If our free enterprise economy is to be strong and healthy, we must re-invigorate the forces of competition. We must assure small business the freedom and opportunity to grow and prosper. To this purpose, we should strengthen our antitrust laws by closing those loopholes that permit monopolistic mergers and consolidations."

I think you need have no doubt but that the man in the White House is just as much concerned with your problems today as he was when he helped bring into being the special committee of the Senate which has meant so much to small businessmen ever since.

It was because of the knowledge of the plight of small business gained through that committee that we succeeded, in 1942, in setting up the Small Business Division in the War Production Board and later the Smaller War Plants Corporation. In fact, we caused to be set up in all the government agencies in Washington small business units designed to aid small business in the war period. Through this action we prevented the gobbling up of war contracts by huge monopolistic enterprises and kept the small manufacturer in business for the duration. And it was the Small Business Committee which, in 1943, prevented the tire manufacturers from driving the independent tire dealers out of business by setting up their own sales outlets.

At that time I said, "These major companies are not limited in their ambition to monopolize the tire business; they are now reaching out to compete with the independent clothing merchant, the hardware store, the sporting-goods store, and other such small independent businessmen."

We had the same difficulty in seeking to bring about an equitable distribution of war contracts in the clothing industry and in other segments of small business enterprise. Throughout those many years, either as chairman or as ranking minority member of the Small Business Committee, I have always been conscious of the multitude of problems confronting the independent businessman in America. That is why I feel that I must tell you tonight that with the growing trend of big business and monopoly, small independent business enterprise will continue to be faced with trying problems in the coming years.

Small business, through such trade organizations as yours, must concentrate on the study of these problems and demand proper consideration in Washington. It must demand that its basic role as the mainstay of our economy be recognized. It must see to it that its interests be not subordinated to those of big business and its future growth be not diminished through the imposition of government procedures favoring huge, monopolistic enterprises.

Effects of Business Concentration

There can be no doubt that the future of small business and that of the whole free enterprise system is threatened by the rapid concentration of ownership, the extension of the chain system of merchandising, and the expansion of monopoly in American life. It is obvious that these huge concentrations of business and industry are not interested in the preservation or expansion of small independent business. So, if small business is to remain in the field, it must organize and conduct its own fight for survival.

During the past two decades we have watched this trend toward monopoly develop. We have seen a gradual elimination of the small business concerns of the country during the depression, while big

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*From address by Sen. Murray before the Annual Banquet of the National Association of Retail Clothiers and Furnishers, New York City, Jan. 25, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John Dalrymple has been appointed Vice-President of the **Grace National Bank of New York**

John Dalrymple

where he will begin his new duties on Feb. 16. He was formerly President of the First National Bank, Roselle, N. J., and more recently Executive Vice-President of the Lafayette National Bank of Brooklyn.

* * *

Charles N. Wonacott for 17 years Treasurer of the Board of National Missions of the Presbyterian Church, has become associated with **Central Hanover Bank and Trust Co. of New York** as consultant in the field of philanthropy. Mr. Wonacott has devoted almost his entire life to community service projects. From 1900 to 1917 he was with the Portland Y. M. C. A., advancing to the post of Executive Secretary. During his tenure of office, this institution, it is stated, grew to have resources of over $1,000,000 and at the time the largest membership of any organization of its kind in the world. He resigned at the outbreak of World War I to devote his energies to raising money for war purposes. He was an organizer and executive for the American Red Cross, the Y. M. C. A., the Food Administration under Herbert Hoover and the Liberty Loan drives. Later Mr. Wonacott became Vice-President of the Atlantic, Gulf and West Indies Steamship Lines in New York. In 1923 he returned to Oregon, and from 1924 to 1928 he was in business in Portland. For more than 20 years Central Hanover has maintained a Department of Philanthropic Information and has developed a comprehensive library to assist benefactors in wise public giving. Mr. Wonacott's services will be available to those interested in the field of philanthropy.

* * *

T. Arthur Nosworthy, President of **The Bronx Savings Bank of New York**, has announced the elections by the board of trustees of Mrs. Beatrice Petry to Assistant Secretary, and Martin H. Bleuthner from Auditor to Comptroller.

* * *

Park A. Rowley, former President of **The Bank of the Manhattan Co. of New York**, died on Jan. 31. He was 65 years of age. Born in Fredericton, New Brunswick, Canada, said the Brooklyn "Eagle" of Feb. 1, Mr. Rowley entered the banking field in Nova Scotia as a youth and in 1913 came to this city as Cashier of the Bank of Long Island in Jamaica. He was appointed a Vice-President of the Manhattan Company after it absorbed the Bank of Long Island in 1920. Nine years later, when the Manhattan Company became a holding firm, he was named President. He held that post until 1932 when he resigned to devote himself to various industrial enterprises. In the same year the Manhattan institution ceased to be a holding company, resuming its banking functions as The Bank of the Manhattan Co.

* * *

Thomas J. Raney, formerly Controller of the **Emigrant Industrial Savings Bank of New York,** died on Jan. 31 at his home in Brooklyn. Mr. Raney, who entered the bank's employ as a bookkeeper in 1905, served the bank for 41 years, retiring in 1946. He became Controller in 1931.

* * *

The **Central National Bank of Yonkers, N. Y.**, increased its capital, effective Jan. 14, from $350,000 to $400,000 through a stock dividend of $50,000.

* * *

The **Southbridge National Bank of Southbridge, Mass.** (capital 200,000 common) was placed in voluntary liquidation on Jan. 17, its business having been absorbed by the **Worcester County Trust Co. of Worcester, Mass.** The offices of the Southbridge bank are now operated as a branch of the trust company. The plans for the taking over of the bank were noted in our issue of Dec. 23, page 2667.

* * *

Frank Puleo, Comptroller and Assistant Vice-President of the **Bloomfield Bank & Trust Co. of Bloomfield, N. J.**, was on Feb. 1 elected Vice-President, retaining his title as Comptroller. The Newark "News" states that he has been with the institution since 1924. It is also stated that three new posts of Auditor, Assistant Treasurer and Assistant Secretary were created to cover work done respectively by James P. Dennison, Donald S. Slater and Harold Brotherhood, who were named to the positions. From the "News" we likewise quote:

"The temporary title of Honorary Chairman was conferred on Allison Dodd, a founder and former President of the institution and its Board Chairman for 12 years. Bank officials said Mr. Dodd, who is ill, would resume active Chairmanship as soon as his health would permit."

* * *

The Board of Governors of the Federal Reserve System announce that **The Pennsylvania Company for Banking and Trusts of Philadelphia, Pa.**, absorbed, effective Jan. 24, the **Security Bank and Trust Co. of Philadelphia**, both State members. In connection with the absorption the former main office of Security Bank and Trust as well as its branch office will be operated by The Pennsylvania Company.

* * *

Brig. Gen. David N. Hauseman, U. S. Army, retired, President of the Houdry Process Corp., and Chairman of the board of Catalytic Construction Co. of Philadelphia, has been elected a member of the Board of Managers of the **Girard Trust Co. of Philadelphia**, it is learned from the Jan. 25 issue of the "Evening Bulletin" of that city. At the same time Morris Duane, of the Philadelphia law firm of Duane, Morris & Heckscher, was also elected to the Girard's Board of Managers. Mr. Duane is a director of the Philadelphia Saving Fund Society as well as the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, and the Theodore Presser Co.

* * *

The Farmers Deposit National Bank of Pittsburgh announced on Feb. 1 the retirement of Mervyn E. Boyle as Vice-President, after 47 years of service. In the Pittsburgh "Post-Gazette" of Feb. 2 it was stated that Mr. Boyle entered the bank as a messenger in 1901 and that he was Auditor and Cashier before becoming Vice-President.

The Board of Governors of the Federal Reserve System announced on Feb. 3 the appointment of Sidney A. Swensrud, President of the Gulf Oil Corp., Pittsburgh, Pa., as a director of the Pittsburgh branch of the **Federal Reserve Bank of Cleveland** for the unexpired portion of the term ending Dec. 31, 1949. Mr. Swensrud succeeds Howard W. Jordan, President, Pennsylvania Rubber Co., Jeannette, Pa., who resigned.

* * *

The **First National Bank of Chicago Heights, Ill.**, increased its capital on Jan. 7 from $125,000 to $250,000; part of the increase—$75,000—was represented by a stock dividend, while the $50,000 additional was brought about by the sale of new stock.

* * *

An increase in the capital of the **Mid-City National Bank of Chicago** from $400,000 to $500,000 is announced as of Dec. 23, through a stock dividend of $100,000.

* * *

The stockholders of the **Detroit Bank of Detroit, Mich.**, at their annual meeting on Jan. 11 voted a common stock dividend of 11 1/9% (one full share for each nine shares owned of record), payable Feb. 15 to shareholders of record Jan. 11; and authorized the necessary increase of 25,000 shares of common stock amounting to $500,000. This will increase the total number of common shares outstanding to 250,000, having a total par value of $5,000,000. President Dodge reported that on Dec. 31, 1948, the resources of the bank reached a new high reported statement level of $556,647,217, and in part also said:

"Total capital funds including general reserves increased $4,223,000 to $22,447,000, as a result of retained earnings and an increase in common stock. During the year an additional 50,000 common shares were sold at $60 a share, adding $1,000,000 to the common capital and $2,000,000 to surplus account. 18,500 shares of preferred stock, with a total par value of $370,000, were retired, reducing the number of shares outstanding to 150,000, with a par value of $3,000,000. The preferred stock retirement fund was increased $250,000 to $3,000,000 by a transfer from undivided profits an amount equalling the preferred stock outstanding."

Total deposits at the year-end were $531,107,000. An earlier item bearing on the proposed stock dividend appeared in our issue of Dec. 23, page 2667.

* * *

The bulletin of the Office of Comptroller of the Currency reports that effective Jan. 17 the capital of the **Michigan National Bank of Lansing, Mich.**, was increased by a stock dividend of $1,000,000 from $3,000,000 to $4,000,000.

* * *

Guy W. LaLone has been elected President of the **First Minnehaha National Bank of Minneapolis** succeeding J. G. Byam, who according to the Minneapolis "Star" of Feb. 1 is retiring from the Presidency and from the board. While previously holding the office of Vice-President of the bank, of which he has just been chosen President, Mr. LaLone's principal position is that of Vice-President of the **First National Bank of Minneapolis**, with which he has been associated since 1929. He will continue to make his office at First National. The First Minnehaha Bank is affiliated with the First National and with the First Bank Stock Corp.

* * *

On Jan. 14 the selection of W. Linn Hemingway, Chairman of the board of the **Mercantile-Commerce Bank & Trust Co. of St. Louis** as a member of the Advisory Council of the Federal Reserve Board, representing the Eighth (St. Louis) Federal Reserve District, was announced at a luncheon at the bank commemorating Mr. Hemingway's completion of 30 years on the board of directors. The luncheon was attended by the directors and senior officers of the bank. Mr. Hemingway has long been active in bankers' association work. He has been a member of the Executive Council, the Administrative Committee, Finance Committee, and Marine Commission of the American Bankers Association and served as President of the Association in 1942. He is a member of the board of directors of the United States Chamber of Commerce and of several committees of that organization. He is Chairman of the United States Inter - American Council, which is the United States section of the Inter-American Council of Commerce and Production. He is also a member of the board of directors of the National Foreign Trade Council.

* * *

The title of the **Utah State National Bank of Salt Lake City, Utah**, was changed, effective Feb. 1 to the **Utah First National Bank of Salt Lake City.**

Bankers Trust Holds Further Credit Restraints Not Needed

In annual review of money and government bond market, New York banking institution points to indications of stable interest rates, accompanied by reduced demands for credit, as eliminating serious inflationary threats.

In the annual review entitled "United States Government Securities and the Money Market," issued on Feb. 8 by the Bond Department of Bankers Trust Company, the belief is expressed that interest rates during 1949 will probably remain comparatively stable at about present levels and that sales of Government bonds to the Federal Reserve banks will be substantially less than during the past year.

The Bank finds no further need for credit restraints at the present time, since the postwar inflationary boom has passed its peak and since a slackening of industrial production and a moderate decline in business activity also appear to be in prospect.

"Some reduction in demands for credit and investment funds is anticipated, and it is reasonable to expect that sales of Government bonds to the Federal Reserve banks will be considerably less than in 1948. Unless there should be another period of scare selling, the volume of Reserve Bank purchases will probably not create any serious credit problems," the Bank states. "On the other hand, if the demand for Government securities remains strong, the Federal Reserve banks are no doubt ready to sell Treasury bonds in substantial amounts, if necessary, to prevent an undue rise in prices. It seems likely, therefore, that prices of Treasury obligations will move in a comparatively narrow range."

No sharp business recession is anticipated, according to Bankers Trust Company, although the bank cautions that it is impossible to foresee how fast or how far the decline in prices and business activity may go. "A squeeze on business profits through higher taxes, higher wages, and lower prices, could lead to larger cutbacks in capital expenditures than are now expected."

Economic trends and the credit situation have changed materially in 1948, the Bank finds. The extraordinarily high level of production together with fiscal and monetary developments, helped to check the inflationary boom. The budget was not only balanced, but a large surplus enabled the Treasury to retire substantial amounts of debt held in the banking system. The rise in bank loans was substantially smaller than in the preceding year. In contrast to the selling wave that marked conditions in the Government bond market at the end of 1947, the bond market during the last two months of 1948 assumed a firmer tone. "The Federal Reserve became a seller of bonds and the apparent shortage of investment funds was no longer in evidence. With the downturn in commodity prices and the change in the business outlook no further restrictive credit measures were taken after September. The monetary authorities have adopted a wait-and-see attitude."

Commenting upon the monetary policies followed in the year, Bankers Trust Company observes that the controversy over the bond stabilization program gained in intensity in 1948, but subsided with the signal change in the credit situation toward the end of the year. "When the controversy was at its height, however, the inflationary forces had already largely spent themselves and commodity prices were turning downward." As it worked out, the money supply of the country declined over $2 billion in 1948, in spite of support buying, and is now only slightly higher than it was at the end of 1946. Although the Federal Reserve authorities asked Congress repeatedly for broader powers and new instruments of credit control, the Bank notes that developments in 1948 have demonstrated that no new devices to cope with the credit situation were necessary.

"It has become equally obvious that severe credit restraints, which might have disturbed the financial markets and reduced production, would have been unwise. The basic change in the price situation during the past few months confirms the belief that the moderate credit measures undertaken by the monetary authorities during the past two years have been ample. Stable bond prices and the absence of severe credit measures increase the possibility of an orderly readjustment from the postwar boom."

The Bank concludes that no further restraints on credit are required at the present time. "With prices declining and many soft spots developing in industry, greater caution has arisen among both borrowers and lenders, and business loans have apparently passed the peak. Further credit restraints at this time would add to business uncertainties."

Neville R. Hasluck Dies

Neville Romer Hasluck, partner in Farr & Company, New York City, died at St. John's Hospital, Queens, of injuries incurred when he was struck by an automobile. He was 65 years of age.

Railroad Securities

During the past month or so railroad stocks have been acting considerably worse than the market generally. This has been particularly so during periods of weakness and in the sharp break that took place late last week. This is in contrast to their action throughout most of 1948 when their buoyancy many times was instrumental in bringing the entire market out of its desultory mood. Many of the usual trading favorites in the rail group last week dipped to new lows for 1948-1949. There hardly appears to be any real justification for this renewed pessimism.

There has been a tendency in the press and on the part of some of the statistical agencies to stress some of the influences that are admittedly on the uncertain or unfavorable side. There has been some concern over the fact that the railroads have not yet come to any agreement with the non-operating unions as to wage increases and the proposed change in working hours. This has given rise to fears that the final settlement will be more burdensome than the terms recommended by the Fact Finding Board. The Board's report called for a seven cents an hour increase in wages, retroactive to last October, and a change from 48 hours a week to 40 hours on Sept. 1, 1949. Despite the delay it hardly seems likely that railroad management will be willing to go much, if any, further than the Board's recommendation.

Another factor that has been given considerable, and continuing, publicity has been the year-to-year decline in traffic so far in 1949. There seem to be some fears that an important recession is just around the corner and that the declining trend of freight volume will gain momentum. As a matter of fact, the rate of year-to-year declines has been moderating consistently. Car loadings for the first week of the year were 13.2% below the like 1948 interval. This was cut to 9.3% in the second week, 8.0% in the third week and 6.5% for the week ended Jan. 29, the most recent figures now available.

There have been a number of obvious reasons for the decline in traffic so far this year. By far the largest drop, both in actual cars and percentagewise, has been in coal originations. Partly this has presumably been due to a decline in exports but a more important factor has apparently been the unusually warm winter weather in the eastern section of the country. This latter is obviously only a temporary drag. Another factor has naturally been the exceptionally heavy snows in large areas of the western section of the country. This is also merely a temporary condition although the severe weather has continued almost without interruption up to the time of this writing.

There are definite signs of softness in the general economic picture. Also, there is no question but that some railroad traffic has been lost to competitive transportation agencies because of the successive rail rate increases. There is little evidence that this latter has been of any great proportions or that it will become so over the intermediate term at least. As for the signs of softness in the general economy, they have so far been largely confined to those industries that are not of such great importance from a traffic standpoint.

On the favorable side, prospects appear to point to continued record activity in such important lines as steel, automobiles, etc. Overall construction should remain high, bolstered by needs of the utility industry, government projects, etc. So far as it is possible to estimate at this time the prospects for heavy grain crops are quite favorable. European aid may fall off somewhat but by any normal standards export trade will again be very large. The defense program holds promise of substantial freight traffic. With this background it is difficult to conceive of any sizable drop in overall railroad traffic this year. With heavy traffic the railroads will almost certainly again report handsome earnings in 1949. On this basis it is difficult to see what justification there might be for the recent renewed wave of pessimism toward the rail group.

What About Railroad Profits?

By WILLIAM T. FARICY*

President, Association of American Railroads

Pointing out railroads in 1948 earned only 4½% on net investment, despite heavy traffic operated with unprecedented operating efficiency, Mr. Faricy lays low rate of net earnings to inadequate rates. Denies railroads are pricing themselves out of market and contends rates in relation to value of goods are lower than ever. Says problem is one of adjusting revenues to costs or having tax-supported government operated railroads. Calls for higher rail revenues.

Railroad profits, or the lack of them, are primarily and immediately of concern to railroad people, workers as well as investors. But they are likewise a matter of real concern to all business—your business included, whether or not you are a direct user of railroad service.

William T. Faricy

And they are of even broader concern, for railroad profits are an essential part of the whole profit-and-loss system under which we in America do business — a system under which our people produce more and live better and enjoy wider freedom, than any other people on earth.

I wonder sometimes if even those of us who live under the profit-and-loss system, and who experience every day the benefits which have come to us from its relatively free working in this country, realize how intimate is the tie between profits and production—and, even more important, how vital is the link between freedom and the opportunity to risk loss in the hope of profit.

Freedom is not just something to be exercised on election day. It is an everyday business and an essential part of it is this freedom of choice and action in the countless millions of transactions which go on every day among producers and consumers. And profit, or the hope of profit, is both the mainspring and the primary regulator of this ceaseless flow of activity. It is sometimes urged that this should not be, that there should be substituted a "planned economy" or "production for use and not for profit"—which would mean that instead of a free and flexible exchange of goods and services we would be bound by the decisions of some presumably all-wise person or persons somewhere in government, with power to tell the producer what he should make and sell and the consumer what he might buy and consume. The consequence, if we may judge from results elsewhere in the world, would be less production, less consumption—less freedom.

So we all have a stake in the preservation and the workings of this profit-and-loss system of getting things done. The railroad business is an essential part of the system and the money which has been risked in the railroad business is as much entitled to its chance to earn a profit as is the money invested in any other line of endeavor.

Profits in Railroad Business

Starting with those truths which we take to be self-evident, let's examine profits in the railroad business, and give consideration to the effect of such profits, or the lack of them, not only upon the railroad business, but upon all business, and eventually upon the structure of our free society.

The return earned by railroads is known, in the terminology of the accounting system prescribed by the Interstate Commerce Commission, as the "net railway operating income." The term is something of a misnomer in that it is not the net income to the owners of the railroads, but represents the entire earnings from operations upon all the capital invested—including loan capital, as well as ownership capital.

From this total return on the capital invested in railroads there must be paid interest and amortization on borrowed money. And out of it there should be left something for the reserves which every business needs to accumulate in good times to help carry it through the lean years; something for the improvements which every business has to make to keep abreast of needs; and something for dividends to the stockholders whose money is at risk in the venture.

Having in mind these things which must be done with the net railway operating income, let's see what the figures look like. In 1948, the railroads had a net railway operating income of close to a billion dollars. That sounds like a lot of money until it is considered that it is the entire return on a net property investment, after allowing for accrued depreciation, of $23,000,000,000—and then it will be seen that it is a rate of return on net investment of only 4¼%.

True, that is more than the railroads earned in 1947, when the rate of return was less than 3½%, or in 1946, when it was only about 2¾%. It is more, too, than the interest on United States bonds—the most nearly riskless investment on earth—but it is far less than is earned on capital invested in other lines of business which are no more subject to risk than is the railroad business.

This low rate of return on railroad investment is not due to any inefficiency in the rail method of hauling persons and things in trains of cars on tracks. The inherent efficiency of the rail method of transportation is so great that it is possible to move 100,000 tons of average freight from coast to coast with less than 90 tank carloads of Diesel fuel. To do the same job by truck would require the contents of more than 250 tank cars of Diesel fuel, or nearly three times as much. And to do it by air would require nearly 2,700 carloads of aviation gasoline or 30 times as much. When we get to comparisons of manpower used, we find an even more striking contrast. To move 100,000 tons of freight from coast to coast by rail takes 3,500 man-days of work by train crews. By truck it means 90,000 man-days of work by drivers. To

(Continued on page 25)

*An address by Mr. Faricy before the Chamber of Commerce of Los Angeles, Los Angeles, Cal., Feb. 3, 1949.

Philadelphia-Baltimore Exchanges to Begin Joint Operations on March 7

The Philadelphia and Baltimore Stock Exchange, in a joint announcement issued on Feb. 5, reported that it is planned to begin merged operations on Monday, March 7, the day of the annual election of the Philadelphia Exchange. It is expected that members of the Baltimore Exchange will be named as officers or members of the Board of Governors. The Philadelphia Stock Exchange also announced that J. Dorsey Brown, President of the Baltimore Stock Exchange, had been elected to membership in the organization already. A committee to effect arrangements for the complete merger of the two exchanges was appointed, with Edward J. Armstrong as chairman.

It was also announced in Baltimore that Edward J. Armstrong, of Stein Brothers & Boyce, has been appointed chairman of a committee to effect Baltimore arrangements for formation of the merged Philadelphia-Baltimore Stock Exchange. Other members of the committee are S. Grainger Marburg, of Alex. Brown & Sons; T. Stockton Matthews, of Robert Garrett & Sons; W. Carroll Mead, of Mead, Miller & Co.; John Redwood, Jr., of Baker, Watts & Co., and Joseph W. Sener, of John C. Legg & Co.

Ballou Mgr. Inst. Dept. For Hayden, Stone Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that H. Cushman Ballou has been appointed manager of the firm's Institutional Department. He was formerly with Dominick & Dominick.

William R. Staats Co. Sixty-Two Years Old

LOS ANGELES, CALIF.—William R. Staats Co., 640 So. Spring Street, members of the Los Angeles Stock Exchange, is celebrating the 62nd anniversary of its founding in 1887. The company was the first to be incorporated under the laws of the State of California.

Canadian Securities

By WILLIAM J. McKAY

In this age of managed economies it is more than ever true that gold production can not flourish during a cyclical boom period. While inflationary conditions prevail moreover, it is inevitable that gold-mining is doomed to become a depressed industry. At a time when the price-level of other commodities is in a rising trend, the value of gold is kept constant in order to avoid further inflationary pressures. Consequently, unlike in other commercial fields, higher costs of production can not be offset by increasing the price of the commodity.

On the other hand when deflationary forces commence to exert their influence it is time to anticipate the turning of the tide for the gold-mining industry. It is now becoming increasingly clearer that the peak of the war created boom has already passed, and indications of a recessionary nature are becoming more apparent. Where other industries look with trepidation at a vista of falling prices and dwindling markets, to the producer of gold these developments mark the dawn of a brighter era. Lower prices, a more abundant supply of labor, and possibly a lower wage-scale, constitute exceptionally for the gold-mining industry lower costs of production, which are not offset by a diminished return on the sale of the product, or by any loss of market.

Furthermore if deflationary pressures become acute not only is the producer of gold sure to receive the current official price for every ounce of the metal mined, but there would also be high prospects for an eventual price increase. In a period of falling prices, diminished business activity, and highly competitive export markets, resort to the historic remedy of currency devaluation and the marking up of the price of gold becomes a distinct possibility.

In the past the hopes of the Canadian gold interests had been pinned to a devaluation of the Canadian dollar as a means of reviving their depressed industry. Official policy, however, decided otherwise and relief to the industry has instead been provided with the adoption of the Emergency Gold Mining Assistance Act. Already there are indications that the Dominion's most deflated industry is commencing to take on a new lease of life. Production, which had fallen to less than half of the prewar peak, is slowly forging ahead. New prospecting that had been abandoned following the upward revaluation of the Canadian dollar is once more in full swing. Freshly discovered mines are now being brought into production and investor interest in new gold enterprises is beginning slowly to revive.

It would appear that this growing interest that is providing a welcome stimulus to the otherwise flagging Canadian stock markets, is based on a sounder foundation than that which inspired the previous gold boom of the early war years. Canadian gold stocks are no longer over-inflated. On the contrary it is possible that at their current level previous shocks and disappointments have been over-discounted. Present conditions are now conducive to a sharp recovery of the gold-mining industry even on the basis of the maintenance of the present price. However, when consideration is also given to an eventual general increase in the official price of gold, the attraction of investment in the securities of gold-producing companies is immediately apparent. Likewise when consideration is given to the increasing traffic in gold in raw form at premium prices, the possession of which not only brings no current return but also poses doubts as to its clear legality, it would be difficult to dispute the superiority of gold shares as a convenient investment medium.

During the week the demand for high-grade external bonds was still in evidence but offerings were increasingly scarce. Internal Dominion's were slightly firmer although free funds eased rather sharply after their recent display of strength. The corporate-arbitrage rate also continued to decline. Stocks were generally lower in sympathy with New York and the industrials led by the paper issues showed the least resistance to the decline. On the other hand the golds in particular and the base-metals to a lesser degree were inclined to move against the general trend. Western oils after earlier firmness finally followed the lead of the industrial group.

Dewar, Robertson Firm To Be NYSE Members

SAN ANTONIO, TEX.—H. H. Dewar will acquire the New York Stock Exchange membership of the late Donald L. Samuels, and Dewar, Robertson & Pancoast, National Bank of Commerce Building, will become members of the New York Stock Exchange on Feb. 17. Partners in the firm are Mr. Dewar, Alton E. Robertson, John W. Pancoast, W. Lewis Hart, Creston A. King, and Edward H. Austin.

Mr. Dewar is President of the Investment Bankers Association of America.

Mass. Mutual Life Ins. Co.'s Annual Business

SPRINGFIELD, MASS.—Policyholders and their beneficiaries received $62,857,000 from the Massachusetts Mutual Life Insurance Co. last year, the largest amount since the company was organized in 1851. New business aggregated 39,500 life insurance policies for $256,830,000. Insurance in force at the year end stood at $2,785,-880,000, including group, an increase of $154,420,000. Over $13,-650,000 has been set aside for 1949 dividends, an increase of $760,000 over last year's allotment. Dividend accumulations and policy proceeds left with the company will be credited during 1949 with 3% per annum, continuing last year's rate. Admitted assets of $1,234,396,623 showed a $80,633,-848 gain. The net interest earned was 3.17% against 3.13% for 1947. Railroad bonds for $3 500,000 were sold or retired and $2,000,000 purchased. New investments included industrials: $93,268,000 bonds, $9,-977,000 preferred stocks. The purchase of public utilities raised the total portfolio to $323,475,000. Real estate purchases consisted of eight parcels at a total cost of $9,359,-233, with an average yield of approximately 5%. New mortgage loans were $31 215,000 at 4.04% average interest.

Richard Kohn Features Special Display

NEWARK, N. J.—A complete display of all the products manufactured by General Instrument Corp. of Elizabeth, N. J., and its wholly-owned subsidiary, the F. W. Sickles Co. of Chicopee, Mass., is featured in the windows of Richard E. Kohn & Co., 31 Clinton Street, members of the New York Stock Exchange. Included in the exhibit are approximately 30 products which General Instrument—one of the largest manufacturers of component parts for the television and radio industry—and its subsidiary manufacture.

Partners of the stock exchange firm—Richard E. Kohn, Bernard S. Wallerstein and Ferdinand A. Straus—state that this display is the first of a series which will feature the products of New Jersey industry.

Following this display at 31 Clinton Street, the entire exhibit will be moved to the business branch of the Newark Public Library, according to Vincent J. McMann, director of stockholder relations for General Instrument Corp.

Rocky Mt. IBA Group Panel Discussion

DENVER, COLO.—The Rocky Mountain Group of the Investment Bankers Association and the Bond Club of Denver are having one of their outstanding programs of the year on Feb. 15 at the Denver Athletic Club. The subject will be "The Investment Business for 1949 and the Problems which will Confront Us."

It will be a panel discussion with John Sullivan, Bosworth, Sullivan & Co., Don Bromfield, Garrett-Bromfield, and Charles B. Roth, nationally known on sales promotion and public relations.

Gerald Peters, Peters, Writer & Christensen, Inc., will act as moderator.

Wall St. Cashiers to Hold Annual Dinner

The Cashiers Association of Wall Street, Inc., will hold their annual dinner Monday evening, Feb. 21, at the Roosevelt Hotel, John J. Boyen, Chairman, announced.

Slackening Demand for New Homes Due to Controls!

Morton Bodfish and Homer Hoyt in publication of First Federal Savings and Loan Association of Chicago contend, because of rent control applying to existing dwellings, present tenants elect to remain in present homes, in which they have in effect a valuable property right, rather than pay higher rentals in new structures.

In the January issue of "Savings and Home Ownership," published by the First Federal Savings and Loan Association, Morton Bodfish, President of the U. S. Savings and Loan League, and Homer Hoyt attribute the slackening demand for new homes to the rental cost advantage which tenants of old dwelling units have because of existing controls on these structures. Commenting on the situation in Chicago, the writers say:

"In all past real estate cycles, new building was sustained not merely by the increase in the number of families living in Chicago but also by the shifting of families from old houses and apartments into new quarters. The escalator process continued until the oldest and poorest homes were emptied and a vacancy margin was established. This moving took place because the rents of new apartments or the cost of owning new homes was only slightly higher than the rents in the best of the older dwelling units. Today, there is an abnormal differential between the rents of apartments erected before World War II and the rents of those recently erected because of rent control. The majority of the 771,000 tenants in Chicago who are enjoying rents of $10 to $12 a month a room with steam heat, janitor service, and decorating all furnished will not move into new apartments renting for $20 to $25 a month a room. They have been given a valuable property right, or the privilege of occupying quarters for $40 to $50 a month which would rent for $75 to $100 a month in a free market. Several hundred thousand families in the city of Chicago who are paying not over 15% of their income for rent and who could afford to pay more if necessary will continue to stay where they are, as long as they are receiving this subsidy in the form of artificially low rents.

Morton Bodfish

Homer Hoyt

"The lull in the present housing market is due to the fact that there is too big a gap between rents in rent-controlled apartments and the rents or prices of new homes and apartments. The desperation demand for housing has been largely met and the great majority of families today are satisfied to 'stay put' in whatever accommodations they have rather than pay for houses at the current prices. Since there are still practically no vacancies and there is still a tremendous need for new homes, an effective demand for more units could be created, if the prices of new homes fall moderately. This lowering of new home prices might be accomplished by some reduction in contractor's profit margins.

"Unless housing prices level off, there is grave danger that the great need for housing which we have already indicated will be met by public subsidies. Rent control is itself responsible for part of the continued housing shortage as we have already shown. This shortage which artificial rent control has brought will be used as an argument to continue rent control and to supply housing through public grants, state loans, and real estate tax exemptions. Such projects will strike directly at the roots of private property and free enterprise in this country. If a large supply of new apartment units is created which are subsidized by public grants, state loans at low rates of interest and partial real estate tax exemptions, tenants will be drawn from the older privately constructed buildings so that their vacancy rates will rise sharply. The value of existing homes and the safety of home mortgages would be impaired by this subsidized government competition. The very program of public subsidies which will lower the value of private homes and apartments by increasing vacancies in them and lowering their rents or sales value, will also increase real estate taxes on private property because these government projects will not pay full taxes. Most unjust of all, the middle and upper income groups will have to pay in higher Federal and state income taxes for the very developments that are reducing the value of their own homes, mortgages and property investments. Finally, if this process would continue until every family in the upper income half is taxed to the limit of their capacity to pay for homes for the lower income half, there will be pressure to issue more government bonds and to increase the national debt for housing purposes. This would be sheer inflation. In the end it would lower the purchasing power of the dollar still more and jeopardize the welfare of all families dependent on life insurance, savings, annuities or fixed salaries for their income.

"The mere recital of the chain of events that would ensue, if we once embark upon the dangerous course of meeting the present housing shortage through public grants, should serve as a warning to the public and to our legislative bodies. There is great need for public education in the ultimate consequences of a course of action in the housing field that will lead directly to socialism."

Henri de La Chapelle to Manage Paine, Webber Branch in Los Ang.

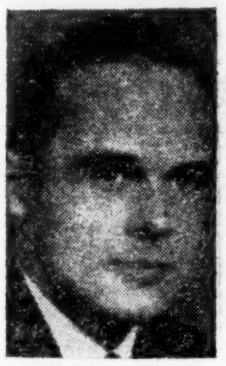
LOS ANGELES, CAL.—Henry de La Chapelle has become associated with Paine, Webber, Jackson & Curtis, as manager of the Los Angeles office, 626 South Spring Street. Mr. de La Chapelle for the past 19 years has been associated with E. F. Hutton & Co.

Benton W. Davis Now With Mitchell, Hutchins

Mitchell, Hutchins & Co., members of New York Stock Exchange and other principal exchanges, announce that Benton W. Davis has become associated with the firm in the New York office, 1 Wall Street. Mr. Davis was formerly with Jacquin, Bliss & Stanley.

Wealth Still Backbone Of Our Country

"Wealth, so often presented as corrupt and oppressive, is still the backbone of our country, providing the major portion of government support, of employment, of philanthropy and individual incentive. Is it not a challenge for youth to show them the marvel of their opportunities as individuals in this country, and how most of our maligned possessors of wealth have risen from poor beginnings under a system that permits one to rise above his so-called social and economic status?



Ford R. Weber

"Call it flag-waving if you will. Certainly we need not trample our flag and what it stands for—what the United States has done, and is doing — in order to challenge our youth to better what is still the most perfect governmental and social system that the world can present. Yes, let the orators hurl the challenge of improvement, but with still greater force let them hurl the challenge for the preservation and expansion of the good of which we have so much!"—*Extracts from article by Ford R. Weber, of Ford R. Weber & Co., Toledo, which appeared in "The Toledo Rotary Spoke."*

For Example

"Suppose it is 1938. You and I have saved $10,000 and are able to borrow $10,000 more. We buy a small bakery for $10,000. Another $5,000 goes for a new oven. That leaves $5,000, enough to buy flour, sugar, coal and other supplies and to cover our payroll and consumers' unpaid bills.

"During the next ten years business is good. We pay the high taxes of the war years and still make a profit. We are able to save a little to pay off some of our debt. When prices shoot up at the war's end, it costs us more and more to buy flour and pay our helpers. But we are able to raise our own prices and cover these higher costs. Repairs around the shop and bakery are up, too. But we can deduct these day-to-day charges from our income before figuring our taxes. And we are able to show a cash profit after paying our taxes.

"But by 1948 we are in trouble. Our oven is ten years old and worn out. In 1938 it cost $5,000. We charged this amount off against our taxable income over the ten years. In other words, the oven has been fully 'depreciated.' But the new oven costs $10,000. This is just twice as much as the tax law allowed us to lay aside out of our income to buy a new oven.

"The tax law allowed us to deduct the higher cost of flour and wages. But it didn't provide us with the help we need now for the higher cost of the oven. Still we need the oven just as much as we need flour to run our bakery business." — Ben Moreell, President, Jones & Laughlin Steel Corp.

Such is one of the difficulties by which the businessman, large or small, is faced when political folly upsets the applecart.

But politicians prefer to talk about high profits.

Nathan D. McClure Dies

Nathan D. McClure, Vice-President and director of Harriman Ripley & Co., Inc., died suddenly Saturday evening at the Westchester Country Club, Harrison, New York, where he was attending a meeting of the Board of Governors of the Investment Bankers Association. He was 52 years old and was a resident of Geneva, Illinois.

A graduate of Yale College class of '18, Mr. McClure served in the Marine Corps as a First Lieutenant, in World War I, and entered the investment banking field shortly afterwards. He joined the staff of Harriman Ripley & Co., Inc., in 1934 and was in charge of its office in Chicago.

Mr. McClure was active in various civic affairs in both Geneva and Chicago, Ill. He served as Chairman of the Central States Group of the Investment Bankers Association and was Chairman of the Association's Educational Committee. He was a member of The Attic, Bond Club of Chicago, Yale Club of New York, Society of Mayflower Decendants in the state of Illinois, the Geneva Golf Club and the Dunham Woods Riding Club.

The Sugar Scene Changing

By ODY H. LAMBORN*

President, Lamborn & Co., Inc., New York City

Leading sugar broker analyzes pros and cons in current statistical and economic situation of the sugar market, and predicts, despite current heavy sugar production, prices of sugar in first half of 1949 will be higher. Says refiners have still to purchase a very large line of raw sugar for their melts in March and April and beyond.

As someone once said, the one unchangeable thing in life is change itself. Since constant, though at times gradual, change is a characteristic of the sugar business, I think it is worth while to review some of the developments of the past years. And it is especially timely to discuss and highlight some of the features of the business under the new Sugar Act. After all, there was a lapse of six years—1942 to 1947 inclusive—during which the quota system was inoperative. Consequently many have to reorient their thinking. In sugar, some conditions change with the speed of lightning. In others the transformation is so slow that we are hardly conscious of it. But these shifts, which unfold so gradually, inevitably create new patterns, which must be understood and evaluated by those interested in sugar.

Ody H. Lamborn

Home Consumption Lower

The swing away from the use of sugar in the home is one of the interesting developments growing out of the last war. Prewar, approximately 65% of the sugar distributed was used directly in the home, and 35% in industrial plants, that is, plants of bottlers, bakers, confectioners, preservers, ice cream manufacturers, canners, and the like. During the war, these percentages tended to reverse themselves.

The public, because of rationing, switched away from home baking, canning and preserving. Consequently, we found, during the war period that about 45% went into the home and 55% of the sugar distributed was used by industrial plants. Now the division seems to be about 50% for home use, and 50% in industrial plants. It is reasonable to assume that we will not return to the percentages that existed prewar. It is true, however, that in hard times, more baking, canning and preserving is done in the home, and economies of all kind are attempted in industrial plants. If we should have an extended recession, we would probably find industrial users hard-put to maintain their present percentage of sugar usage.

Bulk Bag Production Lower

An interesting and important change of practice in the past decade is to be found in the almost total disappearance of the 100 pound bulk bag of sugar in the retail grocery store. During the war, high labor costs and the shortage of help in retail stores made impractical the weighing of bulk sugars into smaller packages. Thus we find that refiners have been steadily adding to their equipment and facilities for the packaging of two, five, and ten pound paper bags, cartons of granulated, and the one pound cartons of specialties. Some refiners are now equipped to package more than half of their production in grocery store sizes ready to be passed over the counter to the housewife, and some can pack as much as 80% of production in retail sizes. Brand is of lesser importance in the marketing of bulk granulated than in the distribution of small packages. The significance to the industrial user of the volume of movement of factory-packed retail packages lies in the fact that, where sugar refiners and beet processors are substantial packers of bulk bags, the competitive spirit amongst the sellers is intensified, and where the opposite is the case it is lessened.

Liquid Sugar and Bulk Handling Develop

Another changing trend worthy of note is the ever-increasing interest of industrial users in sugar in liquid form. Originated in the East, 20 odd years ago, liquid sugar is now also produced by California cane sugar refining and beet sugar producing companies and some small plants in the Middle West. And the number of proposed new plants, according to reports, is increasing. Then, too, the handling of granulated sugar in bulk is receiving mounting attention in various areas of the country. These two developments have gained impetus from the steadily increasing costs of handling commodities in packages. I might also add that progress is being made in some directions in the bulk movement and handling of raw sugars, and for the same reasons, i.e., to reduce handling costs.

Railroads Losing Volume to Trucks

In still another sector of the sugar business, we find that, since the war, as rail rates have advanced, the movement of sugar by motor truck has been forging ahead at a tremendous rate. Taking the case of one large Eastern market, some 300 miles from New York, fully 75% of the sugar movement to that market from the refining centers is by truck. This trend toward trucking will, in many ways too numerous to mention, affect the flow and source points of sugar.

Higher Sugar Costs and Prices

We have had upward changes in the costs of production of sugar in all areas. This is no different than the experience in other industries where labor, material and other costs have increased in keeping with the general inflationary trend in our economy. As a natural result, sugar prices are higher than prewar. To get our bearings a few comparisons are in order.

The 1940 average yearly price of raw sugar for consumption in the United States was 2.786¢ per pound duty paid basis. For refined the average yearly wholesale price was 4.425¢ per pound. During 1947, when we were still in a market where the price was *fixed* by the government, the average price for raw sugar was

(Continued on page 33)

*An address by Mr. Lamborn before the Joint Assembly of Alabama and Mississippi State Bottler Associations, Biloxi, Miss., Feb. 7, 1949.

Mutual Funds

By HENRY HUNT

First Seven in % Growth During '48

During the past year, mutual fund assets in the aggregate increased 7% virtually the same gain as they showed in 1947. However, several funds beat this 7% growth by a substantial margin as shown by the following tabulation, which lists the seven fastest growing funds during 1948 with assets of more than $20,000,000 each:

Fund	Sponsor	Year-end Assets	% Increase During '48
Affiliated	Lord, Abbett	$57,222,000*	74%
Wellington	W. L. Morgan	64,094,000	31
Boston	Vance, Sanders	33,748,000	20
Eaton & Howard Bal.	Eaton & Howard	37,029,000	18
Investors Mutual	Investors Syndicate	126,583,000	17
Fundamental Inv.	Hugh W. Long	32,089,000	16
Putnam	George Putnam	26,711,000	16

*Excluding bank loans of $18,000,000.

"Affiliated" and "Wellington" were one, two in '48 as they were in '47 while Vance, Sanders' Boston Fund moved up to third from seventh place in '47. Although Investors Mutual is in fifth place on a percentage basis, it would be in second place on a dollar basis. Fundamental Investors, Eaton & Howard Balanced and George Putnam continue to make a better than average showing from a sales-growth standpoint. It will be noted that five of the seven leaders are balanced funds.

Correction

Wellington Fund's liquidations during 1948 amounted to $2,195,000—not $1,195,000 as stated in last week's column. They were still gratifyingly small, however.

Manganese

"Manganese gives toughness to steel, is used at average rate of 15 lbs to one ton of steel, is vital to nearly all steel making. Benjamin Fairless, President of U. S. Steel (SAS 7,500) says USSR supplies from one-third to one-half of manganese used by U. S. steel industry and that USSR deliveries of metal are slowing down. U. S. stockpile of manganese is 'possibly sufficient to keep the existing facilities of the industry going at peak capacity for about a year.' Manganese deposits in North America are thin and poor quality. The metal is found in India, Africa, S. America. U. S. Steel has operated a small mine in Brazil for 20 years and, according to Mr. Fairless, has options on Brazilian deposits sufficient to keep the entire U. S. industry supplied for 50 years. But the ore is 1,200 miles from seaports, and its effective use would require an investment of about $300 million in rail facilities, which U. S. Steel thinks Brazilian Government ought to provide."—From "These Things Seemed Important," issued by **Selected Investments Co. of Chicago.**

What's RIGHT With This Country?

"I hear so much these days about what is wrong with this country that I sometimes wonder if we fully appreciate how much is RIGHT with our country.

"What would happen if for a period of 30 days the people in every part of the world had the free choice of moving to whatever country they wanted to or staying where they were? The probable results are not difficult to imagine. People from every land would come streaming to these shores, seeking as our forefathers did, liberty and opportunity for themselves and their children.

"In a period of history when the state is becoming more and more powerful, no other people enjoy so much personal liberty—the right to live their own lives—or have such a high standard of living.

"What nation in all history has been as unselfish or has given as generously of its wealth to other people as these United States? I know of none. We made no territorial demands following two World Wars in which we were the deciding factor. The Marshall

Prominent Personalities

(Fifth of a Series)

WALTER L. MORGAN

President, Wellington Fund

A Philadelphian from way back, Walter Morgan is aggressive, affable and 50 years old. Like most chief executives he demands plenty of action but uses many shortcuts. He can keep two secretaries busy and sometimes will lay out a program in the morning which will keep the other executives stepping for weeks. His associates often wonder how he can retain so many ideas in his head at one time. Although thorough himself in studying all available information before making a decision, Walter is often impatient with wordy discussions and has been known to say, "Tell me in three words what you are talking about." He is cautious by instinct and a skeptic who wants to be shown.

Walter L. Morgan

Walter is a hard worker who drives himself and everybody else associated with him. He accomplishes a lot in a day; but he also takes short vacations frequently to get away from the pressure. He believes that this change of pace enables him to think more clearly. Walter likes country life—hunting, fishing, etc.—and is particularly keen on shooting woodcock and quail. He knows how to wait for the woodcock to top the timber before pressing the trigger and to swing with the quail's flight as he shoots. He is a good angler and can hit a square foot of water with a dry fly at 30 feet—except when a lily pad moves suddenly. He is intensely interested in developing good hunting dogs, both pointers and setters, and has 21 dogs in his own kennel.

Walter has a keen sense of humor and a ready wit. He has a genial manner and a genuine interest in meeting people and in making new friends. He lives by the theory, "if you can't say something good about a person, don't say anything at all."

Walter Morgan's analytical abilities and keen perception are well known. He gets a lot of fun out of picking out undervalued securities. He says he is lucky but he means he has been smart enough to have developed a nice sense of selection and timing. These qualities, together with similar abilities on the part of the Wellington Investment Committee, have accounted for the splendid 20-year performance record of the Fund.

Walter is a C. P. A., learning finance and business as a trouble-shooter for industrial managements. Though analytically inclined, Walter is a salesman and keenly interested in releasing reports and literature that **anybody** can understand. He has been a pioneer along these lines and his latest Wellington report contains many illustrations and charts instead of just figures.

Mr. Morgan believes that the end of the road in the growth and development of the Mutual Fund is nowhere in sight. He sees Mutual Funds and Balanced Funds in particular, becoming as indispensable to American life as life insurance and savings accounts in estate and capital accumulation programs, and as one of the best means of helping to furnish the equity capital so much needed today by industry. His aim is to spread the "gospel of Balanced Mutual Funds" to every investor and wage earner and to maintain Wellington as a leader in the field. Wellington's growth to $66,000,000 in resources and over 30,000 shareholders today shows that Mr Morgan has made a good start toward his goal.

Plan has been described by the London 'Economist' as 'an act without peer in history.' Search back as one may through the annals of history, there is no record of a comparable act of generous diplomacy.

"I do not mean to either ignore or under-emphasize our present-day problems, but I cannot recall a time when we did not have problems. In some ways our troubles and our responsibilities loom larger today because of our position of leadership among the nations. I believe we should approach our problems in a spirit of quiet confidence, rather than in fear and foreboding. Fear destroys judgment. It is a poor substitute for caution."—Written by **George Putnam** of Boston.

Investment Outlook

"Business in the United States in 1948 operated at record peace-time levels and aggregate profits also were the highest ever recorded. Conditions as favorable as these may not be duplicated for many years. Important downward readjustments have been occurring ever since the war in a number of industries. To date these have been staggered in time and there is little evidence as yet of an important cumulative effect in the form of decreased employment or consumer income. Weakness in commodity prices, notably farm products, and leveling of retail sales in the last few weeks of 1948 have intensified widespread fears of a general business recession, meaning a minor depression.

"We recognize that a recession may be starting right now. We believe that a recession, if it occurs soon, will not develop into a severe and prolonged depression. We believe this because of the substantial unsatisfied demand, resulting from the war, for many goods, notably capital goods; because private credit has not been unduly extended; because foreign conditions are forcing upon the government an expansion in total expenditures which tends to offset other deflationary government policies; because of the government's price support and social security program; and, above all, because we believe a cautious sentiment has prevented important speculative excesses from creeping into business and certainly into the security markets.

"We conclude, therefore, that, subject to a limited correction which may occur at any time, the volume of business, employment, consumer income, and profits will continue at a good level for some time to come, although 1948 may prove to have been the absolute top.

"The possibility that lower volume, prices, and profits in certain industries accentuated by governmental policies directed toward social objectives, will cumulate at an early date into a general recession for business has a most important offset in the prices at which equity securities sell. Common stocks appear moderately priced in terms of current earnings and dividends and in terms of the average prospects for the next few years, especially if weight is given to an enduring increase over prewar in the price level for goods.

"For these reasons we have maintained holdings in common stocks at approximately the level stated in the last Annual Report."—Quoted from the Annual Report of **Scudder, Stevens and Clark Fund.**

Turn to page 2 for Henry A. Long's analysis of portfolio operations of Mutual Funds during the last quarter of 1948.

Kidder Peabody Opens Mutual Funds Dept.

Announcement is made today by Kidder, Peabody & Co., members of the New York Stock Exchange, of the formation of a Mutual Funds Department at its uptown office, 10 East 45th Street, New York City, under the management of Dudley F. Cates.

The firm will stress the importance to investors of the various types of mutual funds, which are managed by Investment Companies and regulated under the Investment Company Act of 1940. A variety of "packaged" investment programs will be suggested to meet the needs of many investors, whether for capital conservation, long-term growth, or generous income.

Mutual funds have been recognized as having a sound place in the country's economy. The President's Council of Economic Advisers recently stated, in its annual report, that "the bulk of savings will come from people in the middle income brackets who are rightly more concerned with the safety of their investment than with gains that involve high risks." To this end, the report recommends "study should be made of the experience of nationwide and local investing companies which can extend venture capital with diversification of risks."

The firm expects to attract wide-spread investor interest in sound mutual funds of all types, believing them to be an effective means of channelling savings into American business enterprise.

At the outset only five full time mutual fund salesmen will be employed. However, if the venture proves successful the firm plans to take on additional salesmen not only in New York but also in their branch offices in Boston, Philadelphia, and Chicago.

Bonbright Co. Opens Investment Fund Dept.

ROCHESTER, N. Y.—George D. B. Bonbright & Co., 100 Powers Building, New York has established, effective Feb. 1, 1949, an Investment Fund Department. Eugene H. Cunningham who has been with the firm since 1946 will serve as Manager of the Department. This department will specialize in the distribution of selected open-end type investment funds.

Los Angeles Exch. Bd. Elects Witter Chairman

LOS ANGELES, CAL.—Phelps Witter, Dean Witter & Co., has been appointed Chairman of the Board of Governors of the Los Angeles Stock Exchange to succeed B. P. Lester, Lester & Co. Warren M. Crowell, Crowell, Weedon & Co., was named Vice-Chairman, to succeed Carl M. Purcell, Barbour, Smith & Co.; and George E. Zimmerman, Revel Miller & Co., was named Treasurer.

Other officers were re-elected, W. G. Paul continuing as President, Thomas P. Phelan, as Vice-President and Secretary, and Archie R. Gilbert and Inez Vermillion, as Assistant Secretaries.

George C. Carroll Is Forming Own Company

DENVER, COLO. — George C. Carroll is forming George C. Carroll Company with offices at 678 South Race Street, to engage in the securities business. Mr. Carroll was formerly Vice-President of Inter-Mountain Shares, Inc.

Effects of Declining Treasury Cash Surplus

Northern Trust Company of Chicago in February "Business Comment" says Treasury redemption of securities held by Federal Reserve Banks will cease as offset to currency expansion arising from gold inflow and other inflationary factors.

In the February issue of "Business Comment," published by the Northern Trust Company of Chicago, current heavy government spending and its relation to the use of the Treasury's cash surplus in reducing bank-held national debt is explained and analyzed. According to the article:

"On a fiscal year basis, the Treasury still contemplates a considerable net retirement of debt held by the public. In fiscal 1948 the net redemption of debt held by the public amounted to $7.3 billion. It is estimated that in the current fiscal year repayments will amount to $3.8 billion and that in fiscal 1950 such repayments will total $2 billion. The difference between these figures and the excess of cash receipts over expenditures is accounted for by changes in the Treasury balance, which is estimated to decline by almost $1 billion in the current fiscal year and by $500 million in fiscal 1950. Although a reduction in debt held by the public is contemplated, Federal obligations held by the trust funds are estimated to rise. The sale of these obligations to the trust funds will provide the Treasury with means to retire publicly held debt as well as to finance the budget deficit. The total public debt will remain practically constant. The total debt is expected to amount to $252 billion on June 30, 1950, or the same as on June 30, 1948. Errors in these estimates will, of course, occur.

Regarding the economic effects of reduced Treasury surplus, the "Comment" continues:

"The $9 billion expansion in the flow of government payments and the sharp change from a large surplus in 1948 to a deficit in calendar 1949 may have a determining effect on the trend of business activity, on bank deposits and on Treasury financing methods. The larger government expenditures will have a diffused impact on business. Some expanded programs, such as aircraft procurement, stockpiling of strategic materials, public housing and public works, will affect primarily the heavy industries. On the other hand, Federal aid to education, larger social security benefits, support operations in farm commodities and the dividend on National Service Life Insurance will increase the incomes of individual recipients. The effect on individual spending or saving patterns will be diverse.

"The supporting effect on various markets of larger government spending and payments may be offset by the discouragement to private enterprise inherent in the prospect that present tax rates may be indefinitely continued if not increased. The adverse effect of high tax rates has been obscured by the war-created boom and the large volume of liquid assets left by the war that could be drawn upon to finance business capital as well as consumer expenditures. When government absorbs 25% of the net national product as it did in 1948 (government receipts of $60 billion against an estimated net national product of $240 billion), the country would seem to be perilously close to making a fundamental decision—a decision whether to rely increasingly on government as the guiding and determining factor in the economic life of the country, taking from some and giving to others, or whether to rely on the choices and decisions of millions of businessmen and individuals trying to better themselves and their families through their own efforts.

"The large Federal cash surplus and the use of a major part of this surplus to retire debt held by the Federal Reserve System had an important influence on the level of bank deposits in 1948. Tax payments reduced private deposits, and the Treasury used a part of the funds to retire debt held by the Federal Reserve banks. Because of this, a part of the money paid in taxes did not flow back to the public as Federal expenditures or other payments. The money used to retire bank held debt was simply extinguished. The reduction in deposits caused by the Treasury surplus more than offset the expansionary effect on deposits of a moderate increase in bank loans, support purchases of U. S. Government securities from nonbank investors by the Federal Reserve banks, and the gold inflow.

"The Treasury will probably have a sizable cash surplus in the current quarter of unusually heavy tax payments, though the surplus is likely to amount to only a fraction of the $6.4 billion surplus realized in the first quarter of 1948. If the National Service Life Insurance dividend is paid in late 1949, the cash surplus realized in the first quarter will be more than balanced by cash deficits later in the year, thus tending to restore the level of bank deposits so far as Treasury influences are concerned.

"The absence of a cash surplus may affect Treasury financing policies and problems. The Treasury has been pursuing the policy of refunding maturing or called issues not redeemed in cash into certificates or short notes. This policy tends to increase the 'floating' debt, but the large cash surplus has enabled the Treasury to retire a portion of maturing issues and thus prevent the increase from occurring. In fact, in the past year the marketable short-term debt has declined. The absence of a cash surplus means that, unless the Treasury is willing to see an increase in the floating debt, maturing issues may be refunded into longer term notes or short bonds. Moreover, the pressure on the money market exerted by the redemption of securities held by the Federal Reserve banks may no longer be available to offset the expansionary influence of gold inflows, possible future support purchases or other factors."

Public Utility Securities

By OWEN ELY

United Corporation

The recapitalization plan of United Corporation was approved Jan. 31 by the U. S. District Court in Wilmington and an enforcement order is expected shortly. Consummation of the plan is anticipated following the usual appeal period, which in this case will be 60 days. Randolph Phillips has consistently opposed the management in the past and has appealed previous United Corporation plans to the Circuit and Supreme Courts. Hence it is possible that he will do so in this case, despite the expense involved. It appears unlikely, however, that the Committee representing the Preference Stock will make any appeal since the difference between the current value of the exchange package (about $47.15) and the objective of $50 has narrowed in recent months.

As of Feb. 5, liquidating value of the common stock (after provision for retiring preference stock under the plan) was $3.81. Soon after the plan becomes effective, the company will ask SEC permission to make a distribution of 1/10 share of Niagara Hudson to each share of common stock. This means that the present holdings of 2,818,397 shares of Niagara will be almost cut in half. Based on the recent value of Niagara, the distribution will be worth about 81¢, reducing the book value to around $3.00. With United selling at 2½, the distribution would reduce the net cost to $1.69 as compared with the liquidating value of $3.00 or a net discount of 43%.

In order to carry out the management's plan to convert the company from a registered utilities holding company to an investment trust (dealing in special situations), it may be necessary to reduce some of the larger holdings of utility stocks. The Holding Company Act of 1935 is not very specific on this point. Holdings in any event must be less than 10%, but the question of the exact amount of stock which might be considered a controlling interest is left to the SEC. It appears likely that a reduction to around 5% or less should meet any SEC requirements. The company has for several years retained a 7.7% interest in United Gas Improvement, although the company was not listed in the annual report as a statutory subsidiary; it is possible therefore that the SEC may not require such a heavy disposal of shares.

However, assuming that the 5% minimum holding is considered desirable, it is estimated that this would require disposal of about $12 million of the $44 million estimated portfolio value remaining after the consummation of the plan and the partial distribution of Niagara Hudson. This would include the sale of about 237,000 shares of Columbia Gas, 1,086,000 shares of Niagara Hudson, 127,000 shares of South Jersey Gas, and 42,000 shares of United Gas Improvement. Under the Niagara Hudson plan the second preferred stock held by United Corporation would be converted into four times as many "A" shares, each of which will have equal share voting rights with the common stock. Because of this fact it might be necessary for United to dispose of some 1,086,000 shares of new common stock, reducing its net holdings of Niagara to only about 280,000 shares of new common and 194,000 shares of "A" stock.

Allowing for possible increased dividend rates in 1950 for Cincinnati Gas & Electric, Public Service Electric & Gas and West Penn Electric, a reduction in the United Gas Improvement rate, and the initiation of dividends on securities to be received under the plan of Niagara Hudson and Commonwealth & Southern, the dividend income of United Corporation in 1950 is estimated at $2,444,000 or about 17¢ a share. However, assuming that the estimated $12,000,000 cash which may be realized from the sale of utility stocks (after deducting $1,161,000 estimated balance of cash needed for the United and Niagara plans) is reinvested to yield 5%, this would increase earnings to around 21¢ a share. Assuming that all earnings should be paid out by United Corporation as dividends (as is frequently done by investment trusts) this would mean a yield of about 12% on the estimated net market cost of $1.69.

Most of United Corporation's portfolio has been held for many years and some of the largest holdings were acquired at 1928-9 price levels, which means that there are book losses estimated at some $145 million at recent market prices. While these have been pretty well written out of the stockholders' balance sheet, they remain valid indefinitely for tax loss purposes. This would be of substantial advantage to the United Corporation in acquiring controlling interests in industrial companies, since the earnings of such companies could be offset by realized book losses (through sale of securities) thus permitting important tax savings in a consolidated income statement. Moreover, dividends for a considerable period of years could probably be paid to stockholders on a tax-free basis as capital distributions, provided that adequate losses on utility stocks were realized in the years in which dividends were paid.

Urges Action for Less Government Spending

Dr. Edward J. W. Proffitt addresses New York Board of Trade urging body to endorse efforts to restrain future expenditures and commitments by Federal Government.

Addressing a meeting of the Directors of the New York Board of Trade on Feb. 1, Dr. Edward J. W. Proffitt, of the New York office of the Manufacturers and Traders Trust Co., presented a resolution unanimously adopted by the Executive Committee of the International Section of the organization urging endorsement of efforts to restrain and control future government expenditures and commitments, "so that the workingman's dollar will obtain for him greater value for his day's labor." A portion of Dr. Proffitt's remarks follows:

Dr. E. J. W. Proffitt

"Of paramount import to our people—from the highest echelons—to the ranks of the workers—is this crying problem of taxes. You have read the President's message to Congress concerning it—I will not bore you with the statistics, nor with predictions of things to come. You know what is happening to the paper dollar. George Bauer will tell you, perhaps. Maybe, he will show you the new **rubber** Dollar. A month ago, I showed one to the Secretary of the Treasury—my guest here, that day, in New York, at lunch. Why, he said, 'compared with the paper dollar which bears my own signature, it surely seems to stretch farther.'

"To my simple way of thinking, taxation as a political maneuver, has been carried too far—and I speak from some experience in such matters, having served in the National Government, in the spending end, as Executive Officer of the Purchase Branch of the War Department General Staff, where, in computations, the last six ciphers were usually omitted. Also, on the other end, the saving end—as Assistant to the Director of the First Budget, in the days of Calvin Coolidge—the Evangelist of economy. He, it was, if you remember, who required the return of the pencil stub, for a new one—and the broom handle, before the issue of another, in its place and stead.

"To me, and I am hopeful, you are in agreement, it is a matter of principle, transcending in importance almost all other matters of national interest. Shall they, the politicians, be permitted to continue to take from the people the right to spend the money which they, the people, have earned—which they, the people have saved, perhaps by sacrifice and self-denial, in order that the politicians may spend it for something which they think is good for the people, whether the people themselves want it or not?

"The President's message implies that additional taxes, estimated at $4 billion, will be placed on incomes, down to include the $6,000-a-year line. But my recollection of the tax figures appears to indicate that the results of such a plan will be fantastically different than has been outlined. Follow me for a moment, please. Let me use the 1945 figures, the last ones available. In that year, in the more-than-$6,000-a-year bracket, total tax collections amounted to $7.6 billion. However, in the less-than-$6,000-a-year bracket there was collected $9.3 billion—more—by over 33⅓%. By what process of reasoning, other than fallacious and misleading, could one deduce that the greater part of this increased tax burden would fall upon others than the little and medium-sized taxpayer.

"Wherefore, lest we wreck and perhaps sink the Ship of State with this overburdening of the seemingly limitless taxes, let us cry 'halt'—and try to stop this stupendous spending—greater even than in the war years.

"Therefore, in the name of the International Section of the New York Board of Trade, I am instructed to refer to you the following resolution, which was unanimously adopted at the last meeting of its Executive Committee on Jan. 27, last:

" 'Whereas, the New York Board of Trade, International Section, viewing with much concern the widespread efforts in Washington to continue and even increase the stupendous spending of the wartime Administration, observes with approval the action of certain members of Congress in endeavoring to reduce the huge sums now being sought; now therefore be it resolved, that this body recommend to the board of directors that they whole-heartedly endorse these efforts to restrain and control future expenditures and commitments, to the end that economy once more shall rule in the administration of our public affairs and that taxes shall be materially reduced, so that the workingman's dollar will obtain for him greater value for his day's labor.'

"And I would respectfully suggest that copies of the foregoing resolution, if approved, be forwarded to appropriate members of Congress and to the Press."

NYSE Announces Changes in By-Laws

Alteration relates to margin requirements on shares of $5 or under. Also new rule on soliciting accounts by registered representatives.

The Stock Exchange announced on Feb. 5 amendments to its by-laws relating to customers' margin accounts for securities valued at $5 or below.

The effect of the new rule governing initial margin or equity is to permit member firms to give value in margin accounts to securities at or below $5 a share for the purpose of new securities transactions or commitments or withdrawals of cash or securities. There has been no change in the $1,000 equity requirement, in cash or securities, when new securities transactions and commitments are effected.

It is also announced that under a new rule covering employees of member firms, registered representatives of firms whether operating from main office, branch office or sales headquarters, are permitted to solicit all types of cash or margin business, in either listed or unlisted securities, not only from institutions, but also from individuals, subject, to the home solicitation rule, regardless of distance from the office to which the registered representative is accredited.

Hinch & Wilson Formed

TORONTO, ONT., CANADA—T. A. Hinch and G. C. Wilson have formed Hinch and Wilson Limited with offices at 331 Bay Street, to act as dealers in Canadian mining issues.

N. Y. Bd. of Trade Opposes Changing Gold Price

Directors pass resolution stating any change in gold value will impair public confidence.

Reaffirming its position in favor of a gold coin standard of 35 paper dollars per ounce, the Directors of the New York Board of Trade expressed opposition to any increase beyond that price by further devaluation, subsidy, free gold market alongside Treasury's fixed gold price or any other method whatever.

This action was taken by the Board of Directors upon recommendation of its International Trade Section on whose behalf Dr. Edward J. W. Proffitt and Mr. George Bauer of the Monetary Policy Committee appeared and addressed the Directors.

The resolution adopted by the Directors follows:

WHEREAS the United States would lose by any increase allowed in the price of gold beyond $35 per ounce that part of the gold standard it now has, defective as it may be;

WHEREAS prices of gold and other sensitive commodities and of foreign exchange rates could be expected to fluctuate wildly, if that price were now changed;

WHEREAS our economy would be subjected to a severe disturbance;

WHEREAS we would be joining European and other countries without fixed monetary units in the miseries of monetary and economic chaos;

WHEREAS it seems reasonable to suppose that any rise again in the price of gold after fifteen years of fixity, would impair or destroy, for generations to come, the confidence of people in the willingness and ability of Congress to maintain a fixed monetary standard for the people of our country; therefore

BE IT RESOLVED, by the Directors of the New York Board of Trade, that they express themselves in opposition to any change in the price of gold beyond the figure of $35 per ounce of fine gold and to any tinkering with said price at this time.

N. Y. Curb Increased Commissions Effective February 14

An increase in New York Curb Exchange commission rates on stock transactions proposed recently to the exchange membership has been approved by 74% of the members who voted on the measure.

Francis Adams Truslow, President of the Curb Exchange, on Feb. 4 announced that 379 ballots were cast in all, 281 approving the commission increase, 95 disapproving and 3 being defective. There were 491 regular members eligible to vote.

The revised commission schedules, which provide a 13.07% overall increase in stock commissions, now become effective with the opening of business Monday, Feb. 14, 1949.

Amendments to Section 2, Article VI, of the exchange constitution incorporating the revised commission rates were approved by the Board of Governors on Jan. 19, 1949. Approval by a majority of the votes cast by at least a majority of the regular exchange members was required.

Commission rates were last increased by the New York Curb Exchange in May, 1942.

Parties Pronounced Huge Success

Lee Shuey, *Albert Theis & Sons;* Leo Clooney, *Reinholdt & Gardner;* Al Meyer, *White & Co.;* Jim Riordan, *Reinholdt & Gardner;* Bob Sueck, *Boatmen's National Bank of St. Louis*

Walter A. Becker, *Paul Brown & Co.;* Vincent Malone, *Paul Brown & Co.;* Sumner Shapiro, *Paul Brown & Co.;* H. Kelley; E. J. Speth; John R. Kauffmann, *John R. Kauffmann & Co.;* Elmer Klein, *Harvey, Klein & Co.*

Securities Salesman's Corner

By JOHN DUTTON

A Sales Campaign Directed Toward the New Investor

There is a new market which has been created for the investment dealer. There are millions of people who have not owned securities heretofore. They have invested billions of dollars in life insurance, savings and loan companies, government bonds and savings accounts. They comprise a new field for merchandising securities. So far, very little has been accomplished by investment firms in convincing these millions of people that they should buy securities.

Before any sales campaign should be inaugurated a study of the obstacles to be overcome is in order. Then the proper approach can be directed toward overcoming such resistance as is certain to be encountered. Here are some of the problems:

(1) The majority of people who have their funds in fiduciary institutions and who do not own securities are quite likely to be very skeptical.

(2) They will also make initial investments in small amounts. This, of course, is expensive business to handle.

(3) Prospecting offers no established route. All advertising must be directed at the "mass market." Many curiosity seekers will be encountered and must be weeded out. This takes patience and a sales organization that believes in the plan and can "take it."

The foregoing is just about what will be encountered if you decide to set out upon a campaign to do business with the people who have their funds in savings banks, government bonds, etc., and who do not, as yet, own corporate securities.

Taking up point number (1): **Skepticism of the Uninitiated.** An advertising campaign should be directed toward playing up the advantages of owning good securities for investment. Here, the simple way is the best. Household names should be used. General Motors, U. S. Steel, Telephone and all the old standbys. You have to start off by selling the market leaders. If you are selling Trust Funds you can also do it this way. The Funds own the market leaders. Small ads will bring in leads providing you OFFER SOMETHING. If you can write a short fold-over, pocket size, booklet which tells the story of how an investor can obtain 5% to 6% by investing in the greatest corporations in America you can offer it FREE. After you secure the leads, keep after them. Weed out the curiosity seekers. Try and find some who become enthused with the idea of acquiring good securities ON A REGULAR BASIS. If possible, enlist the aid of these people in SELLING TO THEIR FRIENDS. You can do this with Trust Shares. Even if you make very little on the first orders, some of these accounts MAY DEVELOP into fairly substantial buyers.

Point number (2): **Initial Investments Expensive.** This is the stumbling block which we think has been the main deterrent to securing more of this business. The small dealer, the unlisted house, can make NOTHING out of the sale of listed securities, odd lot or otherwise, unless he can make a special charge for his services. Mutual funds offer about the only solution UNLESS you are prepared to do the first business at a loss, and then SELL unlisted securities later on upon which you make a profit.

Point number (3): **Educating the Salesman.** How you are going to convince your salesmen that they should go out and do business with people without making any profit on the first transaction is something else again. Unless they believe in the plan and are willing to work hard at it, there does not seem to be much you can do to make it work. A complete understanding should be established with your salesmen about what you expect to do, how much advertising and expense YOU are going to put into this, the time you are going to expend upon it, and what you hope to accomplish eventually. If they are in agreement and are willing to give it a good try, where everyone will consistently keep at it until results are sufficient to show a profit, then you might go ahead.

Despite all that has been written about the inability of the securities industry as a whole to properly merchandise its wares, there is a lot more to it than the sort of talk we have been hearing. Unless you have the capital, the time, the fortitude (if you will) to put up with a hard, expensive and sometimes rather thankless job, it would be better to leave the education of those who "do not know anything about stocks and bonds" to others who can make the effort. After all, ours is a business that must stand upon its own feet and show a profit. Every security dealer knows best, just what type of selling procedure is suited to his own resources and his facilities.

Increased Bank Reserves—Threat To Employment and Production

(Continued from page 6)

fact that in recent months the economy has largely come into balance. Business conditions are distinctly deflationary in a number of fields. Unemployment is increasing in some lines. Prices are leveling off in some lines and declining in others. More business failures are being recorded. In view of these facts it is difficult to understand why the Federal Reserve Board should desire stronger, more extensive controls over bank reserves and business credit.

Under the anti-inflation program of the American Bankers Association, unsound and speculative loans have been discouraged. Emphasis has been placed on productive credit and the volume of loans outstanding represents the actual need of business and industry for credit to keep the economy operating on its present level. More credit is required to run business and industry today than was needed before the war. If bank credit is curtailed by increased reserve requirements, employment and production will be lessened. We are sure that Federal authorities do not want to take steps which might bring on a depression.

Good commercial banking practice demands that banks keep in position at all times to meet the maximum of reserve requirements that supervisory authorities can impose. This means that the great majority of banks would want to put themselves in a cash and short-term investment position that would enable them quickly to meet the maximum of increased reserve requirements. This could result in pressure on the bond market and could produce open market problems for the Reserve authorities.

Present total required reserves of all member banks and insured nonmember banks are approximately $21 billion. Under proposed increased reserve authority, maximum required reserves of these banks would total approximately $30 billion. Present excess reserves are about $800 million. This means that the banks would have to be in a position to provide more than $8 billion of increased reserves to meet the maximum reserve requirements that the Board could impose under its requested additional authority.

It seems evident that the granting of authority to the Federal Reserve Board to increase reserve requirements further would have two principal effects:

(1) Both banks and other lenders would seek to convert their holdings of governments into cash or extremely short-term paper.

(2) Banks that have a high percentage of loans in relation to deposits would probably find it necessary to curtail their lending policies.

If the Administration finds that deflation is in prospect, a curtailment of bank loans is obviously not a desirable objective. If loans are curtailed by some banks, or the banks of various individual communities, a contraction of business is almost an inevitable consequence. These local credit curtailments could have a serious effect on business psychology that could be felt throughout the economy, geographically and in various lines of business and industry.

It may be argued that if the Board is granted the increased reserve requirement authority it requests, it could, by reducing reserve requirements in the event of future deflation, release a proportionately larger amount of bank reserves for lending purposes than it can now. The fallacy of this argument is obvious. The long history of the depression during the 30's demonstrates one fact very clearly: the presence of large quantities of excess reserves may provide ample lending funds, but borrowers must be willing to use them if bank credit and the economy are to be expanded.

It is possible that in the hearings that will be held in Washington, it will be argued that so broad a grant of power will enable the Federal Reserve Board to deal adequately with either inflation or deflation, come what may. The first and most important answer to this argument is that the Board already has authority to reduce reserve requirements sufficiently to create all the excess reserves that could conceivably be required to enable the banks to follow extremely easy lending policies.

Although the ownership of some $65 billion of government securities has almost eliminated any need for banks to borrow from the Federal Reserve, the Board can reduce the discount rate. By open market operations, it could pull down both long and short-term interest rates. However, easy money policies of the past years have greatly lessened the Board's ability to deal with deflation by either of these methods. Also, the Board could in the event of recession, relax its present selective controls over consumer credit and loans for buying and carrying securities.

Broadening the Board's authority to apply reserve requirements to nonmember insured banks raises a further serious question. That question deals with the security of the dual system of banking. Such a step would delegate to the Federal Reserve Board a very substantial part of the authority of Congress and the respective states over banking and the economy. The dual system of banking would be breached and we could expect further encroachments from governmental authorities upon it.

Why is it thought that there is a need to enlarge the controls over bank credit and, at the same time, to enlarge the functions of government or of governmental agencies in lending money or in guaranteeing credit? If there is danger of excessive private credit facilities, should these facilities be supplemented by Federal Reserve guaranty of bank loans or by the creation of a new giant lending operation? The Murray bill now pending, for example, contemplates the extension of an additional $15 billion through the RFC.

Perhaps the answers to these questions are to be found in these sentences in the Economic Report of the President: "And in times like the present, when the economic situation has mixed elements, the government needs both anti-inflationary weapons and anti-deflationary weapons so that it will be ready for either contingency. It may even be necessary to employ both types of measures concurrently in some combination, for some prices or incomes could rise too rapidly while others could be falling dangerously."

We respectfully call attention to this economic phenomenon: that, if you punch the economy at one point, an opposite reaction may appear at another point. A great American teacher called this process "bulge pounding." I refer to William Graham Sumner. It was he, incidentally, who created the character "The Forgotten Man." That character was not, as he has been represented, one who suffered from a shortage of governmental benevolence. He was simply the taxpayer.

Having subscribed to the principles of cooperation and of criticism, I prefer to conclude on the former note. The best specialized ability of the banking industry stands ready to serve its government by consultation on questions of fiscal management, monetary theory, and central bank policy. The entire industry stands ready to serve its country as called upon.

Warns Against Creating "Welfare State"

Dr. C. W. de Kiewiet, Provost of Cornell University, says it threatens to give each person a status, fixed by law and administered by government agency financed from public funds. Calls for rebirth of liberal individualism.

Addressing a graduating class at Cornell University in Ithaca, N. Y., on Feb. 2, Provost C. W. de Kiewiet, cautioned against the transformation of our economic and social life by threatened creation of "a welfare state." "There is an unmistakable turn in the tide of our nation," Dr. de Kiewiet stated. "Our social and economic order is undergoing transformation. It is now possible to measure the great advances made in the power and influence of government since the beginning of the century. The pace is increasing. At this very moment we are being called upon to agree to far-reaching modifications in the total pattern of American life. A great cosmopolitan newspaper has claimed to see the American Welfare State in the making. The American people, or an influential part of it, seems willing to sanction a greater activity of government in social and economic life. Social security, Federal aid to education, public health measures are coming to be familiar facts of American political life. Two great wars and an intervening depression have accustomed individuals to make sacrifices to the State, an unprecedented body of social legislation reveals the individual in the process of depending more and more upon the State. What is happening? Are we watching the emergence of a new political order in which each man has a status, defined by some statute, administered by some governmental agency, financed by some public fund? Will we in some early future generation be able to divide society into two groups—civil servants and those ruled by civil servants?"

Dr. C. W. de Kiewiet

Continuing, the Cornell Provost remarked:

"I state none of those things in resentment. The extension of the power of the State, whether we call it socialism, or statism, or simply welfare legislation, is the answer which people are giving to immensely difficult problems. Since at least the days of Theodore Roosevelt it has been obvious that only the corporate power and collective wealth of a society can adequately cope with the more severe problems of an industrial age. The object of the State, I learned as a student, is the good life for its citizens. I am willing to yield a generous measure of authority to the State for this purpose. I agree that the provision of a good standard of living for all citizens may be greatly helped by wise legislation. I am even willing to agree that the limits of State action have probably not yet been reached. There are probably new techniques of government which it may be very beneficial to apply to our problems. I agree with Plato's argument that 'it is not proper that some citizens should be excessively poor, and others excessively rich, since these two extremes lead straight to sedition.'

"There is nothing in liberal individualism that opposes the advance of humanitarian policies, nothing that challenges the right of all men to health and dignity, nothing that condones the subjection of men to a harsh economic discipline. Liberal individualism admits the possibility of new social and economic arrangements. What it does not admit is the possibility that men may be restrained in their effort to produce and apply new knowledge, to continue in their search for improvement in all things, to study and criticize things as they are with a view to accepting or rejecting them. What it finally does insist upon is a constant and jealous scrutiny lest the State encroach too far upon 'human liberty and spontaniety,' or dull the ingenuity, the imagination, the energy, the resourcefulness, and the independent striving of men. While I am altogether sure that admirable and indispensable things can be accomplished by government, they cannot be achieved by men blindly in ignorance of the high moral and political values which have already been created by the nation's history.

"For a hundred years we have been strongly under the influence of the idea that the words collective or social stand in all case on a higher level than the words individual and private, so that a collectivized or socialized state is of necessity morally more advanced than a state which yields a generous margin of freedom to individual enterprise and initiative. Concepts have found their way into our political thought which are fundamentally unsound. Fragments of the great 19th century controversy over the effects of the industrial revolution on society have become lodged in our thought. They are fragments of political passion, not of political science. Ideas of economic determinism have sunk deeply into our minds. Assumptions about the conflict of classes and the incompatibility of different economic interests lead us to accept the doctrine of an inevitable solution through collectivism or socialism. The worst result is a passivity in political and moral matters, because we assume that certain developments are predetermined. We become political fatalists, become like the frog they tell about in Pennsylvania. If you put a frog in a pan of cold water and put the pan on the stove, the frog will relax appreciatively in the lukewarm water, and make no effort to jump out of the pan. There it sits till it realizes too late that the water is hot, and that it is being parboiled.

"Before we get to the stage of being parboiled we should ask a few questions. Maybe the answers will make us jump. How much freedom for individual enterprise should we try to preserve? Liberties are indispensable to the State, I would answer, for the same reason that they are indispensable to the individual. The State needs a citizenry that brings forth all its activity and energy. It is a bitter falsehood to say that a man who is employed by the State serves the State, and that a man who works independently serves only himself. In the modern age a healthy society should maintain, by the side of inevitably expanded governmental activity, a wide and sufficient margin for the exercise of individual initiative. Such alternative fields of activity may, provided they are in reasonable balance, enlarge and affirm the characteristic freedoms of American society. Each has great opportunities. Each has its dangers. For individual effort we have to pay a heavy ransom in individual selfishness. In public office energetic men must struggle against unoriginality and repetition. An appetite for public office, not as a form of responsibility but as a form of security, stifles imagination and enterprise.

"Some of the most urgent pleas for maintaining a wide range of private and individual enterprise come from men who have been lifelong advocates of public and social enterprise. Lord Beveridge has for a generation been the leading advocate of State planning, yet he has just written a whole book to explain that 'the state cannot see to the creating of all the services that are needed to make a good society.' And yet another outstanding individual known for radical views speaks gloomily of present trends. 'It may be,' remarked Bertrand Russell, 'that the present tendencies toward centralization are too strong to be resisted until they have led to disaster, and that, as happened in the 5th century, the whole system must break down, with all the inevitable results of anarchy and poverty, before human beings can acquire that degree of personal freedom without which life loses its savor.'

"I have not, I hope you will see, so much pleaded for or against the political philosophies that struggle for our approval. Rather have I pleaded against indifference, against the acceptance of slogans. Most certainly have I pleaded in favor of that virtue which Aristotle described as 'an established habit of voluntary decision,' which imposes upon you the personal obligation of never deciding without thought, and of always deciding with the intention of augmenting human freedom and happiness."

As We See It

(Continued from first page)

the purpose of restoring prosperity. If conditions have indeed reached the point where a first class recession is in order, the history that will repeat itself will be not only that of 1920 but that of the second half of the 1930's. That is to say, in plainer terms, the Administration will now be no more able to prevent a depression, with its interferences with natural forces, than was the Roosevelt New Deal management able to restore good times.

Much Change Since Then

The change since the President was touring the country's "whistle stops" last autumn is considerable. Prices in some segments of the economy had even then begun to show signs of hesitation. It was, however, far from clear whether the movement was or was not a mere hesitation. Many there were at that time who were confident that after a short period the upward movement would be resumed with vigor in most groups of commodities. Employment was quite good, and profits appeared at least to the unthinking as very large and likely to remain so more or less indefinitely. Superficially at least, conditions appeared favorable for a so-called "fourth round" of wage increases which would inevitably have brought still higher prices of most types of manufactured goods—or at least inevitably so in the absence of marked increase in the productivity of labor of which there were few if any signs.

The President—wisely so it proved in a strictly political sense—assured the farmer that he would be "protected" from lower prices of some of the leading farm products, but it was "inflation" that served as the scarlet thread to hold many if not most of the President's arguments together—the boom which must be controlled to prevent a "bust" at some later date. If there was at that time any inkling in the minds of the President and his intimates that the boom had already reached its crest and that the problem of any Administration elected to office might well be that of preventing a "bust" rather than controlling or limiting a "boom"—assuming, as we do not believe, that such are really the problems of the political powers that be—there was little indication of it.

Painful Developments

But there are clues here and there which suggest that the Administration, or if not the Administration, many others in political life, are now beginning to wonder. The President, last fall concentrating his attention upon powers which would theoretically at least enable him to reestablish war controls to prevent business from running away from itself and from the consumer, now is asking powers which would—again theoretically or according to current political reasoning—enable him to stem the growth of unemployment, enlarge the volume of production and do whatever else he may think it wise to do to keep things humming as they

were when he was making a dozen speeches a day early last autumn.

If the pressure for a "fourth round" of wages is troubling him less, increasing unemployment and part-time employment must be beginning to harass him. If the cost of living is declining—as it is in moderate degree—and hence the political danger from disgruntled housewives is reduced, the progressively weaker markets in grain and livestock must be raising the bogey of dissatisfied farmers before the eyes of the Chief Executive. If the price of clothing is down somewhat compared with a few months ago, with consequent reduction of complaints from consumers, the question has now risen as to whether at the lower prices full scale production can continue profitably at existing levels of wages and labor productivity.

Now Full Utilization

The President probably feels that he has to worry less about scarce materials and the possibility that their scarceness might feed inflationary flames, but while the situation has not yet reached that stage, it must have occurred to him and his advisers that the day may come when he could wish that demand could be found to keep existing facilities fully occupied and their normal labor forces fully employed. At least, the developments of the past few months put quite out of date the President's demand that there be enormous increase in the steel producing capacity of the country. One must suppose, moreover, that a further continuance or development of the current uncertainties will deter private enterprise from entering freely into undertakings to enlarge or improve facilities.

And what is the President to do about it all? Our own opinion is clear and unequivocal. He should, and Congress should, concentrate their attention upon removing the impediments which government itself has placed in the way of business. Nothing else, in our judgment, would do so much to provide assurance against the development of another deep or prolonged depression. We take it for granted, however, that the powers that be will have none of this type of philosophy, and so we ask what is the President to do about it all? He may "let down the bars" in such a way as to encourage further going into debt for consumer goods. That such a step is inflationary and unsound on many counts seems to us obvious—assuming that the step is such as to stimulate borrowing against the better business judgment of the individuals concerned. He may enlarge the expenditures of the Federal Government, but where are the funds to come from? They must either be borrowed from the banks with consequent enlargement of the money supply, or else be taken in one way or another from sources which otherwise might employ them directly in industry and trade. States and municipalities are eager to launch enormous spending programs, but higher costs have made it extremely difficult for them to do so without incurring heavy debt or laying excessive tax burdens on the public.

Probably the President has already concluded that it all is not nearly so simple as supposed.

What About Railroad Profits?

(Continued from page 17)

do it by air means 50,000 man-days of plane-crew time. This efficiency of the rail method is so great that there is not only nothing in existence, but nothing in sight, which can take its place in meeting the major transportation needs of this continent.

Railroad Efficiency

The efficiency with which railroads are operated is greater now than it has ever been in the past. Take just two typical facts, one of transportation output, one of fuel efficiency. The output of transportation of the average freight train, as measured in tons of freight moved one mile in an hour, was greater in 1948 than ever before — and two-and-one-half times what it was in 1920, just after the first World War. Railroads today are moving a ton of freight a mile with two ounces of coal or a tablespoonful of oil if burned in a steam engine, or a teaspoonful of oil if burned in a Diesel. And these facts are typical of the ever-growing efficiency of railroading—efficiency which will become greater as the years go on.

Successful railroading depends upon handling heavy traffic at high efficiency—and that is just what the railroads did in 1948. Traffic was slightly below the peacetime record of 1947, but it was nearly half again as much as it was in the prewar peak year of 1929. And yet the near-record volume of business handled in 1948 earned for the railroads 23% less net railway operating income than did the smaller volume handled in 1929.

This decline in earnings was not due to any increasing burden of financial charges upon the railroads. In the intervening years, in fact, fixed charges have gone down, not up, and today the proportion of railroad revenues which is required to meet interest, rentals and other fixed charges is less than it has ever been.

If the low profits of the railroads, both in relation to the money invested in them and in comparison with the earnings of other industries, are not due to inefficiency or poor management, and not due to insufficiency of traffic or excessive fixed charges, what is the cause?

Rates Insufficient

Just this—the fact that other prices, including wages, have risen so much faster and so much further than have railroad rates.

It was not until the middle of 1946 that there was any postwar increase in railroad freight rates. By that time railroad wages and the prices of railroad materials and supplies had already risen nearly 50% above 1939. In both time and amount, the rise in rail rates lags far behind both increases in rail costs, and the increase in the prices of the commodities hauled by rail.

The railroads are warned by some people in authority that higher rates may have the effect of "pricing the railroads out of the market." It is a situation which should be taken and is being taken seriously. Railroad traffic officers and railroad executives realize the need for keeping rates as low as costs will permit. Their whole training is in the direction of seeking high volume of traffic at low rates—far lower, on the average, than those of any other form of transportation which offers service to all parts of the continent.

When today's rates are considered in relation to the value of the goods transported, it will be found that they are lower than they have been at any time since the first World War. To put it another way, it takes a smaller part of the value of the average commodity shipped by rail today to pay the freight than it has at any time since the Interstate Commerce Commission began to compile such figures.

The essential fact is that increased costs have made increased rates necessary, and that in the short run—or until such time as long-range investment in improvements can have its effect upon costs—there simply is no other way to meet the situation. It should be borne in mind, however, that a very considerable part of the reported shift of traffic away from the rails is the reverse movement of the shift of traffic to the rails which took place during the emergency of war. And it should be noted, also, that the forces which brought about increases in railroad rates are not confined in their effects to the railroads alone among the transportation agencies. A general and widespread inflation is no respecter of persons or particular industries.

Regardless of this general situation, however, there doubtless are special situations in which a shipper may move some particular product in some other way at a charge lower than he could by rail. And to the extent that rail rates may become higher than other transportation charges there is a natural disposition to use these other forms of transport.

To this group of businessmen I should like to present one aspect of this situation which is sometimes overlooked. Any seeming "saving" to be made by diverting traffic from the railroads may prove, in the long run, to have been less than no saving at all. Under any conceivable conditions, a major portion of the freight load of this continent will be carried by rail—and that is especially true of the long-distance transportation in which California is so deeply interested. That being true, this essential service by rail will have to be supported, its costs will have to be met. And there are only two ways in which this can be done — through adequate transportation charges upon that portion of our production which uses rail service, or through some form of government operation with deficits made up by the taxpayers.

The Choice Before Us

That is the choice before us—adequate revenues adjusted to today's costs of privately operated railroads, or tax-supported government-operated railroads. If the choice were to be presented in that direct way to the people of the United States, and especially to the shippers and business men, there can be no doubt what their decision would be. They have had experience with both private and government operation of railroads, under conditions of stress and emergency. In the first World War, the government operated the railroads for a period of 26 months, with a net loss—to be made up by the taxpayers—which averaged nearly $2,000,000 a day. During the second World War, the railroads were operated privately, with no net loss to be made up by the taxpayers—but with tax payments to the Federal treasury which averaged more than $3,000,000 a day. Here was a difference of more than $5,000,000 every time the sun went down.

But this was by no means the most important gain to the country. During the government operation of World War I there were substantial increases in freight rates, whereas at the end of World War II freight rates were no higher, and in many cases were lower, than when war began.

A still greater gain was in the adequacy, efficiency and dependability of transportation. And the greatest gain of all was one that can be measured only on the shortened timetable to victory in far-off lands, a victory which could not have been won without an epic transportation performance here at home.

But the issue—if it ever comes to an issue—will not be presented in the form of a direct choice between government and private operation of railroads. Government operation in the United States could come about only if the conditions under which private operation is carried on should ever cease to exist.

The way to keep on having the kind of privately-owned, business-operated rail transportation upon which this country has thrived is to have rail revenues in line with costs, producing earnings which compare with those of other business—such a rate of return on the money invested in railroads as will justify and attract continued investment in improved plant and equipment.

Need of Railroad Improvement

Nobody believes that we can do without railroads and nobody believes that the day of improvement in railroading is over. The best way, and indeed the only way, to keep on improving is to keep on investing in better facilities. And, under private ownership and operation, the only way to keep on having investment is through earnings, or the prospect of earnings, sufficient to justify it.

We don't have to guess at the beneficial effect of such investment. It has been established for all to see. In the years since the railroads came back to their owners after the government operation of the first World War, they have invested in additions and betterments an average of $540,000,000 a year—twice as much as they have paid their owners in dividends. In the year 1948, this investment in improvements mounted to $1,250,000,000—about four times as much as was paid the owners in dividends.

From the better plant so created, there have been many benefits. The level of wages received by railroad labor has considerably more than doubled since 1921. So have the prices which those who sell to railroads receive for materials, supplies and fuel. Tax payments received by governments have multiplied. But, with all those increased payments, the freight charges received by the railroads average only slightly more now than they did in 1921, and passenger fares, on the average, are actually lower. Such results are possible only because of the great gains in efficiency which are due to increased investments in better rail plant and equipment. The one class which has not shared in the benefits is the investors, whose money and self-denial made them possible.

The alternative to reasonable railroad profits is a drift sooner or later, into some form of government control and operation of our railroads—such a drift as has carried other railroads all over the world, outside the North American continent, into state ownership and operation. Since the nationalization of railroads in England, the roads of the United States and one road in Canada remain the only privately owned and privately operated railroads in any major country on the face of the earth.

If railroads so drift, contemporary history shows us that the same forces would soon engulf the other forms of transport. And socialization, so-called, of transport would be the longest possible step toward like treatment for all major lines of business and, indeed, most human activities—as witness what is happening today in Europe.

That there should be fair profits in the railroad business obviously is important to the millions of persons who, directly and indirectly, own the securities which represent the billions of dollars put into railroads. They invested their money in the perfectly proper hope and expectation of having a fair chance to earn a reasonable return.

Widespread Importance of Having Prosperous Railroads

That railroading should be a prosperous business is of importance to the men who work on railroads—for profits, directly and indirectly, mean the expenditures for better railroad plant and equipment which make possible better jobs and better pay.

Railroad profits are important to shippers and travelers, for they are the source from which there can be financed those improvements which mean more adequate and more dependable freight service, more comfortable and safer passenger service.

But this above all: reasonable railroad profits are essential to the effective working, and even to the continued existence, of that profit-and-loss system whose tremendous achievement we see all about us every day in the plenty —and the freedom—which the American people enjoy — such plenty, and such freedom, as are known to no other people on the face of the earth.

Norris and Saris Join Hornblower & Weeks

CHICAGO, ILL. — Merrill C. Norris and John J. Saris, registered representatives formerly with Blyth & Co., Inc., have become associated with Hornblower & Weeks, 39 South La Salle Street. Mr. Norris joined Guaranty Trust Co. of New York in 1922 and was with Blyth & Co. for 16 years. He is with the investment department of Hornblower & Weeks.

Prior to joining Blyth & Co., Mr. Saris spent six years in the investment department of City National Bank & Trust Co. He is associated with the municipal department of Hornblower & Weeks.

Earl W. Fisher V.-P. Of Bateman, Eichler

LOS ANGELES, CAL.—Earl W. Fisher has been elected Vice-President of Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Fisher in the past was with Banks, Huntley & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market stays on the constructive side despite skepticism that seems to be creeping into the picture. . . . Demand is still substantial although buyers are not inclined to step up prices in order to get all securities they want because they feel that a mild correction of the price advance may be in the making. . . . A wait-and-see-what-develops attitude has taken some prospective purchasers to the sidelines. . . . The market has gone through periods like this before, particularly after a fairly sustained rise such as this one, but in each instance, when the underlying conditions were favorable, as they are now, modest price recessions have turned out to be real buying opportunities. . . .

The longer taxable bank issues have been the market leaders, with the scarcity factor causing rather wide price movements in the 2¼s due 1956/59. . . . Switching from the eligibles into the taps is also an important market force. . . . The partially-exempts are getting considerable attention, with out-of-town banks again the principal buyers. . . . Most of the demand in the market is from other than New York City institutions, because money has been tight in the big money center. . . . Short bonds, however, have been bought in limited amounts by metropolitan banks. . . .

WARY

Signs of caution, together with a modest amount of uncertainty, are appearing here and there in the government market. . . . So far, this attitude seems to be largely among the "professionals" although some portfolio managers are not as vigorous in their accumulation of securities as they were a short time ago. . . . The reason advanced for the opinion that prices of Treasury obligations may be vulnerable to a setback is the building up of inventories by dealers and traders especially in the longer bank issues. . . .

It is indicated that swaps by non-bank investors from the more distant eligibles into tap bonds have increased positions of the bank issues. . . . This means that Federal is losing the restricted bonds, while at the same time the floating supply of the eligible obligations is being added to somewhat. . . . A minor case of indigestion may be developing in certain of the bank obligations, since some of these securities of late have not been going into the hands of permanent holders. . . .

RESERVE INVENTORY

The Federal Reserve Banks, by encouraging switches of bank bonds into tap issues, are protecting their own supply of eligibles which could be used at a later date, if the market should tend to move sharply on the up side. . . . It seems as though non-bank owners of longest eligible taxable are inclined to move into the last two tap bonds when the price spread between these obligations is 1.25/32nds or better, in favor of the restricted issues. . . . Savings banks are the principal operators in these exchanges, although fire insurance and casualty companies and charitable organizations also have been doing some of it. . . .

WHY A REACTION?

Although a reaction in prices of Treasury obligations might be healthy, since the market has been making only limited progress, and has been moving in a sidewise fashion, has the movement on the up side been such as to expect much of a reversal in quotations? . . . Most of the buying has been by investors, which means that securities have been taken out of the market because of the need for income. . . . Commercial loans have been stable to lower. . . . Commodity prices continue to decline, and the inflation factor, to say the least, seems to have lost a great deal of its force. . . . Most of the business indices appear to indicate the demand for funds will not be as substantial as in the past. . . . Also during periods of uncertain economic conditions such as now, there is the desire to seek the safest haven for funds, which is in government securities. . . .

Putting all of these together it would seem as though any down-trend in government securities should be largely technical and of not too long duration. . . . It should also turn out to be a good opportunity to acquire needed issues, specially by those that are interested in maintaining income. . . .

CREDIT MEASURES

Regulation W, according to report, will not be changed immediately, although the effect it is having on business is being carefully watched by the authorities. . . . If there should be revisions of some of the provisions of this regulation, this could be the tip-off to other developments that might follow, all of which could have an important influence upon the money markets. . . . If there should be an easing of credit restrictive measures it is believed that Regulation W will be the first to be changed, probably to be followed by changes in reserve requirements of the banks, then margin requirements of the stock exchanges. . . .

MARKET MANEUVERS

1949 maturities are getting more attention from both investors and traders although nothing too tangible has been done yet in the way of sizable position changes. . . . There has been minor trading out of the October and December 1¼s into the December 2s of 1949/51 and the partially-exempt 3⅛s and 2½s. . . . The feeling is that the December maturities are more likely to get higher coupon issues through any exchange that might be made, than are the June and September 2s.

The partially-exempts continue to go out of the market, despite the feeling that taxes may not be increased as much (if at all) as had been expected some time back. . . . The floating supply of these bonds, especially the last four maturities, is very limited and the buying in them has been of the best. . . . Aside from what takes place in taxes, the tax-free yield on the partially-exempts is still more favorable than that available in the taxable issues.

Free Enterprise—Source Of Our Greatness

(Continued from first page)

ing cause, destined to require effort, privation, and sacrifice, it countenanced no barriers, feared no odds, but pressed on to a victorious issue. That founding spirit, so powerful in uniting the aims and in animating the deeds of those who had not yet experienced the blessings of a national existence on these shores, is a significant part of our American inheritance. We would do well to refresh our national soul, day by day, in the remembrance of it.

Most fortunately, the great ideals which served to sustain the initial struggle for freedom, found expression in our Constitution and Bill of Rights. That which had been won at terrific cost was to be preserved for the benefit of all generations. With meticulous care in the written instruments which were drawn and adopted by our national forefathers, the rights of the individual were so jealously safeguarded that a new land of unparalleled opportunity might be, and was, created.

Wtihin the framework of its government ample provision was made for the dignity of man, his right to work, and the enjoyment of the fruits of his labor. There was room for the exercise of individual and collective enterprise. Moreover, if one citizen, through the promptings of his spirit, chose to labor more diligently than his neighbor or to use his intelligence freely or to capacity, he might hope to reap the extra rewards of the extra effort. He might even aspire to the laying up for himself and his dependents a competence for the declining years of life, and with independence of mind project into the future the element of his own social security. The ambition to do and to accomplish was thus fostered and encouraged by wise governmental provision so that the minds and hearts of young America at once gave evidence of that strength which has brought this nation to the enviable position it occupies today. The response was inevitable, it came in full measure.

In that atmosphere of freedom which bred opportunity, it is not strange that there developed in this conutry, step by step, decade after decade, an industrial mechanism to serve the requirements of the people. There was need of implements with which to push back frontiers, provide transportation and means of communication, till the soil, develop vast natural resources, generate power, and fulfill the daily wants of a growing population. In due time came invention, science and technology to accelerate the march of progress and to supplement the valiant efforts of all workers in industry. Incentives to excel, to develop new processes, new products, and new industries, were widespread and unfettered by arbitrary controls. Natural competition was helping enterprise to perform miracles, and miracle succeeded each other in rapid succession.

Accompanying the forward surge of the arts and industries, higher education in America was fostered and cultivated so that each rising generation might be the better equipped to undertake the responsibilities of useful citizenship. Science, engineering, and scientific research, destined to play such important roles in modern industry, assumed positions of increasing importance in the educational system. It is appropriate to say that had science and engineering not been developed to their current high plane by American enterprise, industrial and military effort would have been severely, or even disastrously, handicapped during the period of the recent Global War.

Now if the minds and hearts of the American people have been moved mightily by the ideas and ideals handed down from generation to generation in this representative republic, what has the strength derived therefrom accomplished? The answer lies about you. Within the period of a relatively short national existence, our system of responsible private initiative, or American way of life, has built a nation of the highest rank in world affairs. That exalted position has not been achieved and held by the arbitrary operations of a despot or bureaucracy. Neither is it the material result of collectivism. The ambition and efforts of free citizens and free institutions have built the complicated structure which has served us so well. In no other land is the standard of living so high; nowhere is there an equivalent abundance of desirable goods; nowhere is such financial or economic strength to be found. If there be in any quarters a disposition to yield to the enchantment of foreign ideologies, socialism or communism, let the tempted call the roll of the nations, one by one, appraise their situations, and judge the merits of the respective systems by the evidence revealed.

Why, you may ask, does a speaker at this National Industry Army Day Dinner attempt to occupy our attention with the preaching of such gospel? Are there any views to the contrary in this audience? Does anyone here stand in need of enlightenment on the virtues of orthodox Americanism? I hope not. Yet if these words constitute simply a public reaffirmation of faith, the time will not have been wasted. I would that a thousand speakers on a thousand occasions, throughout the land, might deliver similar messages wherever and whenever the opportunity might be afforded. Let such words be proclaimed from the housetops, with echoes and reverberations that will convince those apostles of strange doctrines in our midst that we are unwilling to forsake our heritage, tried and true, of demonstrated worth.

More than a century and a half of persistent industrial growth has furnished impressive evidence of the value of the system under which we have been operating and developing. The beginnings were humble enough; there was no magic start. Barely the first shoots of industrial organization were appearing on the scene one hundred and fifty years ago. The present station on our march of progress is remarkable, its equal is not to be found anywhere in the world today. Between the early beginnings and the present attained position lies the story of enterprise inspired by ambition, the willingness to work hard and to think harder, the urge to take risks accompanied by faith in the future, and the conviction that the sweat of the brow and the creations of the mind must bring rewards commensurate with the effort expended.

The ready availability of abundant natural resources and necessary raw materials was a wonderful stimulus to American industry. It might more properly be said that these great natural storehouses were an ever present challenge to the ingenuity of our people. One must remember that were it not for the exercise of intelligence and effort, these magnificent assets of which we speak might still, in large part, be reposing unchanged in their original positions. The will to cultivate and to reap, to mine, transform and manufacture, to build and to operate, was the determining factor in bringing these material things into the service of human beings and the national life. Incentive is the keyword here, as always, and lends support to our initial statement that the great basic strength of any nation stems from the minds and hearts of its people.

Industrial Development Not Confined to Narrow Channels

Industrial development in America has not been one-sided or confined to narrow channels. It has reached into practically every kind of endeavor. We in this country are privileged to look out upon a great diversification of industry, equipped with skills and facilities to meet a multitude of varied demands. Many of the early industries grew up together, but after year year newcomers entered the field and were welcomed for their contributions to the whole. Improvement and invention in one sector promoted equivalent progress and invention in others. The need for something new in one line of manufacture bestirred developments in other lines. This interplay between and among the industries has been not only most interesting to observe, but it has been a dynamic force making for progress in all of them. Throughout the length and breadth of the land are thousands of enterprises, both large and small, supplying modern versions of almost anything that man, individually or collectively could desire. Thus the American economic system does not run to narrow specialization nor to the encouragement of an unbalanced one-industry country. Happily we find that the widespread initiative which has flourished under its favorable auspices has begotten versatility as well as intensity.

In times of peace and in times of war this well rounded national industrial establishment has contributed in significant fashion to the needs and purposes of the country, and to those of some who dwell beyond our own horizons. The farmer, the manufacturer, the artisan, and in fact consumers in hundreds of walks of life attest the services rendered in fulfilling their manifold wants. In more solemn tones we recall the performance of American industry in supplying the physical implements and material wherewithal for victory in the recent World War. Notwithstanding the years of advanced preparation in favor of the enemy, the mass of armament, supplies and equipment produced on American soil was overpowering in the hands of our armed forces and their allies. The Army, Navy, and Air Force, along with the civil bodies mentioned heretofore, have added their words of commendation for the bountiful aid accorded the war effort. Our industrial organization was not found wanting!

It seems but yesterday that the firing in the great Global War ceased and our tense American industry looked forward to an interlude in which it might take stock of the current situation, breathe, and reconvert its facilities. For more than five years it had been running with expanded plants at full capacity, concentrating on the production of those special products required for the prosecution of armed conflict. But the hope of turning to a less exacting pace soon faded and the thought of a substantial breathing spell was shown to be futile. Civilian demands poured in and the race was on again.

Industry was not swamped, and the system did not break down. It was beset from time to time with handicaps beyond its own control, and discouraging delays were encountered. Output suffered thereby, but the records of postwar production show astonishing figures. In the face of shortages of skilled manpower and necessary supplies, shortages existing because everyone was trying to buy and build and do everything at once, production records greatly outstripped those of former peace-

time years, and in instances equalled or surpassed those of wartime vintage. This was no mean accomplishment, we hold, and there are those who are of similar mind, even though their instantaneous specifications were not met in full. Be it said emphatically that in this situation industry did not seek to diminish production at any point, at any time, and that the philosophy of scarcity is not one of its guiding principles. Its responsible leaders know that, particularly in times of monetary inflation, one of the most effective counter irritants is an abundant flow of goods—and industry certainly has nothing to gain from inflation.

With equal emphasis we wish to say a few words about the much discussed subject involving increase in industrial capacity. The matter has been thrown upon the public mind through various media, sometimes piecemeal and from one side or another, so that there is still the chance that misunderstandings exist. We would not have it so. The people should know what industry is thinking and doing about increased capacity. It makes quite a difference whether the subject is treated as a wish formulated at a desk, or as a practical matter supported by analysis, pertinent data, and blueprints.

We know that American industry as a whole has been spending large sums of money, billions of dollars annually since the war, for rehabilitation and expansion of its plants. Strenuous efforts have been made, and are being continued, to place producing and manufacturing facilities in position to meet all valid demands promptly. These programs, and there are many formidable programs, call for enormous quantities of supplies, machinery, and fabricated structures, as well as for large numbers of skilled workmen. Now the definite experience has been that these necessities have just not been available in the quantities and numbers desired or planned, and that long distressing delays in schedules have been the rule rather than the exception.

In view of what has actually been encountered, we are unable to see that more could have been done than has been done, regardless of the size of the original objective or plan. If, for example, a hundred brick masons are needed for a particular job and only 12 are available, the job will not be finished on time. If an increase of 10% in capacity has been planned for completion within a given period and a maximum of only 6% has been found physically possible, would the real situation have been enhanced had the original figure been placed at 20% instead of 10? These are practical considerations, based upon experience gained in the field during the past three and a half years, and they are not susceptible to much alteration simply by wishing that they might be different.

While the attitude and performance of industry in general have been mentioned in the foregoing remarks, the more intimate experience of your speaker has been with a segment of the steel industry. We recognize that a heavy responsibility rests upon steel because it is a basic commodity, the essential ingredient of so many activities. Moreover, we are not unmindful of the reliance placed upon steel by the armed services of our country, so importantly represented at this National Industry Army Day Dinner. The case of steel has been projected into public discussion, so a few remarks on the subject may be appropriate.

During the recent war, the capacity of the American steel industry for producing ingots and castings was increased from approximately 81,000,000 net tons to a peak of 95,500,000 in 1945. This increase of 14½ million tons, incidentally, was about three-fourths the size of the prewar steelmaking capacity of Great Britain. When hostilities had ceased and all critical requirements had been met, the overdue retirement of obsolete and badly worn equipment was initiated. Such action had to be taken, as the unremitting operation of furnaces for a period of more than five years had exacted its toll of the older units. At about the same time, a vast program of rehabilitation and expansion was undertaken. In this interim of tearing down and building up, the operable steel-making capacity dropped by several millions of tons. On January 1 of this year, however, by the exercise of every resource known to the industry, the steel-making capacity of the country stood at 96 million net tons, an all-time high. Plans currently under way should increase this figure to 98 million tons by the end of the year 1950.

This hurried review of the situation should serve to prove, beyond argument or question, that the American steel industry has been expanding its capacity in a substantial manner, and we wish to emphasize the point that the physical increase has been provided as rapidly as possible, under the prevailing conditions. Such measures as we have been discussing are not small affairs; they require time. That the industry should handle them in increments or steps of suitable size, with the idea of getting all of those things done which can be done, physically, would seem to fall on the side of wisdom and practicality. In the meantime, we should remember, record-breaking tonnages of steel have been produced, in the attempt to satisfy the unusual demands pressing upon the steel industry from all sides.

Collateral problems of great concern to those who operate the steel industry accompany the very important matter which has just been discussed. Notwithstanding the adoption of technological improvements, facilities anterior to and following the steelmakng furnaces must be provided. For example, to feed the larger capacities, additional ore deposits must be developed, the transportation problems must be met with augmented equipment on land and water, new mines for the production of coking coal are required, and someone must find, somewhere, an adequate supply of steelmaking scrap, a necessary commodity which has been in short supply for more than three years.

These are only a few of the extra considerations which lead up to the production of steel ingots, and there are many more, of great magnitude, which follow the actual making of steel in the primary form. For the purposes of this thesis there is not the need to elaborate upon them, nor to discuss the very serious economic features which follow in the wake of expanding physical facilities at the enormously inflated present-day costs. As to what the market demands for steel may be two or five or ten years hence, there is room for considerable argument, but not here tonight. We know what the past has taught us, and something of what is transpiring at present. That there is faith in the future is apparent from what industry has done in the way of providing capacity to meet contingencies.

Whatever the course of events may be, the steel industry is determined to do its full share in meeting the needs of the country. A major constituent of this policy is that we be properly equipped to respond to the calls made upon us by the armed forces of the United States, for therein lies the security of all that we hold valuable. Working with and for the Army and its companion services is not a new experience; years of collaboration and cooperation have brought about a high degree of mutual understanding, and the dedication of our respective efforts to a common cause. It is to the interest of all of us that this relationship be continued, that ideas relating to wants and requirements be freely discussed in confidence, and that the road to higher accomplishment be travelled together by these great component parts of our nation. May we assure our friends and and protectors, the Army, that the will to do and to accomplish still runs strong in the minds and hearts of industry, and that the strength derived therefrom is ever ready for service.

Facts of Life in Capital Market

(Continued from page 4)

meet the manifold problems confronting us. Ingenuity and resourcefulness have prevented the development of corporate deterioration."

Causes of Equity Capital Shortage

I am not going to give much time to reasons why there is so much loan capital available mostly from insurance companies and relatively so little money for common stocks but will touch on it briefly. The taxing system is generally charged with the major responsibility for the shortage of risk capital and, I think, correctly. Emil Schram, President of the New York Stock Exchange, gave an excellent talk on this subject at Chicago not long ago and strongly recommended the following remedies:

(1) The abolition of the double tax on corporate profits, namely, the tax paid by the company on its net and the additional tax on the stockholders with respect to that part of the same money paid to him as a dividend.

(2) Abolition of capital gains tax which yields little revenue and discourages dealings in securities, and

(3) A reduction in the margin requirements now imposed by government.

I am sure these reforms would be in the public interest.

But figures reported on current savings of individuals indicate clearly that the income tax is not wholly responsible for the lack of venture capital. It is reported that total savings of individuals in the third quarter of 1948 were running at the rate of $15 billion a year out of a personal disposable income running at the rate of $194 billion (that's income after taxes). These savings are well below the wartime peak of $34 billion in 1944 when people couldn't buy automobiles or take vacation trips, but are nearly 6 times the average for 1935 to 1939. This $15 billion of savings is also a much larger percentage of disposable income than was saved in the late 30's. Individuals are now saving nearly 8% of disposable income against about 4% in 1935 to 1939.

The trouble seems to be that the owners of these large current savings are not investors in shares to any large extent. Farmers are believed to have a larger share of the country's savings than ever before and American farmers, as a class, have never been very receptive to securities. A survey of consumer finances made in 1948 by the University of Michigan for the Governors of the Federal Reserve System found a widespread preference for investments with fixed value in dollars to those with changing dollar values—this in spite of the obvious decline in the purchasing power of the dollar. It was reported that ⅔ of those with incomes above $7,500, as well as a larger percentage of smaller income receivers, preferred fixed value investment. Common stocks were rated least attractive of 4 types of investment, the others being U. S. Savings Bonds, bank deposits and real estate. It seems evident that much of the economic thinking by the general public is still done in the shadow of the great depression of the early 30's. The survey noted a widespread belief that stocks are not safe.

The new President of the Investment Bankers Association, Hal Dewar of San Antonio, noted this condition in his inaugural address and posed it as a challenge to our fraternity to do some effective selling and educational work.

Question of Insurance Company Investment in Common Stocks

So much for the apparent reasons for the dearth of venture capital and the remedies that that been suggested. I haven't mentioned all of them. One speaker at a life insurance meeting urged changing insurance laws and investment philosophy so that these concerns, which now direct the investment of such a large part of the people's savings, might invest more in common shares. I think the suggestion might well be followed within reasonable limitations, but it certainly does not promise a quick or complete solution. In fact nothing does. We can hardly hope for an early favorable change in taxing policies, though certainly we should all do what we can to promote constructive thinking in that field on the part of the public and our lawmakers. There are various ways—the capital gains tax is an outstanding example—in which our tax laws could be made less discouraging to business and investment without serious loss of revenue.

As to the suggestion that we security salesmen get busy and do some selling, that's fine, but there are only a few of us and everyone agrees that high pressure mass selling has no place in that field.

Our best hope, it seems to me, is that in spite of all difficulties, business can be kept going sanely, soundly and profitably and that there will follow a change in public sentiment—a change in the attitude of savers toward taking a share in the risks and profits of private enterprises.

Now in conclusion I want to leave the field of national statistics and intellectual speculation and get down to cases. American companies in the aggregate do not have too much debt, but we all know individual concerns which, faced with present capital market conditions, have borrowed rather heavily and have put off raising the additional share capital they know they ought to have.

I believe the sound financial policy for business and the right advice for both commercial bankers and investment bankers to give is to face the difficulties and raise some money by the sale of common stock in this market as it is, if that is necessary to maintain a sound, safe capital structure.

And there is a market for stocks in spite of all I have said that might seem to be to the contrary. Furthermore there is an investment banking industry capable of underwriting and distributing them—a lot of good dealers and brokers from one end of the country to the other who will work together, enjoy the confidence of thousands of investors and get things done.

In the last couple of weeks half a dozen new stock issues aggregating about $75 million have been successfully marketed. Twenty million new common capital was raised for Bethlehem Steel, the Alien Property Custodian sold out $8 million worth of common of the Rohm & Haas chemical company — a new name in the market — the Koppers Company raised $12 million—and a couple of utility companies raised some new common capital, just to mention some specific instances.

Then I'd like to tell you about the recent financing of three companies with which I have had some intimate contact, involving in each case some new common capital. A manufacturer of heavy excavating machinery needed about $5 million for plant expansion. The company had no debt and about $25 million of net worth, so they easily could have borrowed the money on long-term at a low rate, but the directors felt that a company in that kind of business is better off without debt and decided to invite its stockholders to subscribe the new capital pro rata at a price below the market. The price was just about 5 times last year's earnings per share on the number of shares outstanding including the new issue. It was just 10 times the current dividend rate so the stockholders who subscribed are getting 10% on their additional investment.

The other two were rather small public utility companies which sold both bonds and stock, and I'll give you the terms because I assume this audience can absorb a fair amount of figures without getting indigestion and they serve to illustrate present conditions in the capital market. One was a water supply company in the West. Its 30-year bonds were placed privately with insurance companies at a 3.05% rate, some preferred stock convertible into common was sold to the public on a 5.20% basis and the common was offered to the common stockholders at a price which makes the yield about 9% at the current dividend rate.

The other was a concern owning electric light and telephone properties in a number of small towns. Its long-term bonds went to insurance companies at 3.30% and the common stock was offered to the stockholders at a price to yield 10% per annum at the established dividend rate.

Offerings to Shareholders

In each of these cases, you will note, the common was offered to the stockholders, which generally seems the fair thing to do when shares have to be sold so cheap in relation to earnings. The only people disadvantaged by a sale of stock at a low price are the stockholders of the company and they should have the right to offset the dilution of their old investment by making a further investment in the business on advantageous terms. Furthermore, the cost of underwriting an offering to stockholders at a price under the market is less than the cost of distributing the stock at a full market price to new investors. If there's going to be something given away, it is more appropriate to give it to the stockholders than to the bankers.

Now I know the idea of a bargain offering to stockholders is often not popular when there are some large holders in the management who find it inconvenient to take their respective shares. But after all, who is most concerned from the standpoint of long run self interest in seeing a company safely and soundly financed? The stockholder, of course, and especially the large stockholder. So if common capital is really needed right now for the good of the business, he ought either to find ways and means of subscribing his share or let someone else supply it on terms in line with current stock prices.

A few words in final summary: Loan capital is abundant and cheap. Common share capital is relatively very hard to get. This makes it important for both borrowers and lenders to guard against the double-barrelled temptation to excessive borrowing for capital purposes.

Inflation: Enemy of Free Enterprise

(Continued from first page)

mount. Buyers beg sellers for goods, instead of sellers begging buyers for orders. A seller's market is in full being. We seem to be in a businessman's paradise.

In the later stages the situation changes. Inflation begins to show an uglier face. Labor troubles begin; wage demands mount; the costs of many firms begin to outrun their prices. It is discovered that many products have begun to price themselves out of the market. The demand for them shrinks. Workers are laid off. Firms suddenly find themselves short of working capital to carry on their operations in the old volume. Strains and distortions develop in the economy. Unbalance sets in, with unexpected shortages and surpluses. And above all, a mounting public hostility turns against business itself.

Lenin, in fact, the father of present-day communism, is said to have declared that the best way to destroy the capitalistic system was to debauch the currency. Commenting on this statement 30 years ago, John Maynard Keynes, in his famous book, "The Economic Consequences of the Peace," wrote this remarkable passage:

"Lenin was certainly right. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

"In the latter stages of the war all the belligerent governments practiced, from necessity or incompetence, what a Bolshevist might have done from design. Even now, when the war is over, most of them continue out of weakness the same malpractices. But further, the governments of Europe, being many of them at this moment reckless in their methods as well as weak, seek to direct onto a class known as 'profteers' the popular indignation against the more obvious consequences of their vicious methods.

"These 'profiteers' are, broadly speaking, the entrepreneur class of capitalists, that is to say, the active and constructive element in the whole capitalist society, who in a period of rapidly rising prices cannot help but get rich quick whether they wish it or desire it or not. If prices are continually rising, every trader who has purchased for stock or owns property and plant inevitably makes profits. By directing hatred against this class, therefore, the European governments are carrying a step further the fatal process which the subtle mind of Lenin had consciously conceived. The profitters are a consequences and not a cause of rising prices."

Now in some respects this passage reads as if it had been written only yesterday. But while Keynes saw some consequences with remarkable clarity, there were other consequences no less important that he did not see at all. He did not see, for example, that even the big profits that everyone thought the businessmen were making, and that the businessmen themselves thought they were making, were in large part an illusion. I shall come to that point later. But first it will be necessary to ask ourselves what it is that causes inflation and what inflation really is.

Causes of Inflation

We frequently see today long lists of so-called "causes" of inflation. Official documents mention one alleged "inflationary pressure" after another. So what I am going to say may come to many as a shock, but clarity demands that it be said. There is one cause of inflation, and only one: the over-issuance of money. And the responsibility for the over-issuance of money under modern conditions must be placed primarily upon the government itself.

I am speaking not merely of our own government, but of all governments. Each government is primarily responsible for the inflation in its own country, either directly or indirectly. Either it has directly printed too much currency, or by compulsion, encouragement or neglect it has forced, caused or allowed the banks of the country to issue too much credit. Usually it has done both of these things. We may in some cases excuse part of this inflation as forced by invasion or war, but we cannot absolve governments from the responsibility for the further inflation that has taken place since the war ended.

As all of you know, in a society like ours demand bank deposits subject to check are the equivalent of money in purchasing power. They are therefore always included by economists in counting the money supply. If we want to find what has happened in this country we need merely compare two illuminating figures. The first is the figure of total adjusted demand deposits and currency outside of banks in June of 1939. This amounted to $33,400,000,000. The second figure is that of the combined checking deposits and currency last November. This amounted to $110.9 billion. The nation's money supply in this period, in other words, was increased by more than $77 billion. Or, to put it another way, the nation's money supply in that period was more than tripled.

Now what has been the effect of putting an average of $3 in everybody's pocket or bank account for every $1 that he had before the war? It has meant that each of us has tried to buy more goods. Three times as much money has been competing for the existing supply of goods. But as the existing supply of goods has not tripled, but has less than doubled (even on what I personally regard as the exaggerated estimates of the Federal Reserve Board), the only possible way in which this increased supply of money bidding for goods could be reflected has been in an increased level of prices for goods.

Now let us get one point clear. Inflation, always and everywhere, means only one thing: the over-issuance of money and credit. Inflation is a monetary thing. This is the sense in which the word originated in economics. It is still, fortunately, the sense in which the word is defined in dictionaries. For example, even the recently issued American College Dictionary gives as the first definition of inflation: "Undue expansion or increase of the currency of a country." If the word were always used in this sense we would avoid nearly all the fallacies and confusions with which the discussion is now surrounded. Webster's Collegiate Dictionary defines inflation as: "Disproportionate and relatively sharp and sudden increase in the quantity of money or credit or both." It adds: "Inflation always produces a rise in the price level." This is entirely correct. In other words, the rise of prices is not itself inflationary; it is merely a consequence of inflation.

But the newer American College Dictionary gives as its second definition of inflation: "A substantial rise of prices caused by an undue expansion in paper money or bank credit." It is because the word inflation is now usually used in this second sense that all sorts of ambiguities, misunderstandings and confusions develop. Because when the rise in commodity prices is regarded as being itself the inflation, people lose sight of the fact that it is the increase in money primarily that has caused the rise of prices.

A rise of prices may have more than one cause. It may be caused not merely by the increase in money supply, but by shortages of specific goods. But, contrary to popular opinion, shortages of goods are today in most parts of the world only a secondary and subsidiary cause of high prices. And in the United States they cannot, with the exception of very few commodities, be called a cause of high prices at all. The so-called shortage of commodities is merely one of the many illusions brought about by inflation. We cannot at the same time, for example, be producing industrial goods at a rate of 94% higher than in 1935-39, as the Federal Reserve statisticians say we are, and still talk about high prices being brought about by shortages.

Consequences of Inflation

The monetary inflation, with its consequences of high prices and seemingly high profits, leads to a popular hostility against business, against producers and sellers, which governments are only too happy to encourage and exploit. For one thing, this hostility against business diverts popular attention away from the governments' own primary responsibility for the inflation. Government action against business, as a result of inflation, is expressed through three main measures—price-fixing, higher taxation, and nationalization.

Price fixing is put into effect under the pretense that it is a remedy for inflation. If prices are too high, the supposed cure is simple: you simply pass a law saying that they must be lower. And because of the vested interests of governments, and their enormous power of propaganda, sometimes amounting to a monopoly of propaganda, this crude piece of nonsense is seriously believed and put into legal effect in nearly every country in the world today.

Price fixing is, of course, never a cure for inflation. On the contrary, it prolongs and increases inflation. For it increases the demand for goods still further by making them temporarily cheaper. And for the same reason price-fixing discourages or makes impossible the production of these goods by destroying the profit in producing them. It systematically brings about shortages. These shortages are then reflected in black market prices higher than free market prices would ever have been. Price-fixing reduces the supply of goods that everybody can get. And by diverting attention away from the real cause of inflation it allows governments to continue to increase the money supply.

Now this is what is happening today throughout most of Europe, in large parts of Latin America, and in Soviet Russia. It is what is known among economists as repressed inflation. The governments, in other words, increase inflation by having unbalanced budgets. Their expenditures exceed their revenues, and they print more money to pay the difference. And then they try to prevent or conceal the unpopular consequences of this action by forbidding those consequences from taking place. These prohibitions, which begin with price controls, go on to exchange controls. They lead to import quotas, to bilateral trade agreements, to rationing for consumers, to allocations for producers, to wage fixing, to labor control, to a requirement for government licenses for almost every activity.

In short, they lead to a regimented and totalitarian economy.

Corporate Profits

In this country the belief that present corporate profits are excessive has led to demands for still higher taxes on corporations. The last annual review of the President's Council of Economic Advisers estimates corporate profits in 1948 at $21 billion. This figure, as I shall show in a moment, is subject to essential deductions and corrections that radically change its apparent significance. But both the Council, and President Truman in his annual economic report, make the astonishing statement that the bookkeeping profit of 5 cents on every dollar of sales made by corporate industry in 1948 is "in excess of the levels needed to furnish incentives and equity funds for industrial expansion."

No real proof is offered to support this remarkable conclusion. And, in fact, it cannot be supported. Such evidence as the Council of Economic Advisers does offer is all on the other side. A few pages further on we find the Council admitting that the corporations had to provide 65% of their capital funds in 1948 out of their own earnings, compared with 53% in the previous years. Even more significant than this is the fact that when corporations had to go to the market for new security issues, they were able to raise less than one-fifth of their funds through the sale of stock. The other four-fifths had to be raised by the sale of bonds. Putting the matter another way, the corporations in 1948 were able to raise only 19% of their outside capital funds out of equity or risk capital, compared with the already low 30% of 1947.

This certainly does not look like a situation in which the incentives for capital expansion are excessive. If profits were excessive for this purpose they would be causing industry to expand faster than the community or the government would like to have it expand. Yet in flat contradiction to this Mr. Truman maintains that the steel industry and other industries are not expanding as fast as the country's needs require, and that the government may even be forced to do the expansion itself. In other words the President has been led by bad advice into saying both that the incentives of business to expand are too great, and that business is not expanding enough.

Now, what are the deductions and corrections that we must make from the apparently unprecedented profits of corporations today? One of them comes from the traditional but doubtful process of counting dollar inventory write-ups as a profit. As Professor Sumner H. Slichter of Harvard has so clearly put the matter: "Most corporations still insist on counting a rise in the cost of replacing inventories as profits." Fortunately the Department of Commerce in its calculation of corporate profits has consistently in recent years made a deduction for this kind of inventory write-up.

Yet traditional accounting methods, and the fixed habits we have acquired in our way of looking at these matters, persist in counting increased cost of inventories as profit. If the owner of a small haberdashery store buys a hundred pairs of socks for $100, and then finds that their wholesale price has gone to $125, he has made $25, hasn't he? But the answer comes when he starts to replace his stock, and finds that he can buy no more socks with the $125 than he could with his original $100.

In fact, it is very easy to imagine a situation in which, with high book profits in terms of dollars, the manufacturer or retailer cannot replace the same volume of inventories as before. Suppose our little haberdasher bought a hundred pairs of socks at $1 a pair and sold them at $1.25 a pair. His $100 would then become $125, leaving an apparent profit, not counting the expense of doing business, of $25. But suppose when he came to replace his stock that the same quality of socks were selling wholesale at $1.50 a pair. Then with his $125 he could only buy, not a hundred pairs of socks, but only 83 pairs. Suppose now that he sold these in turn at $1.75 a pair, giving him another apparent profit of $20 and leaving him with a cash capital for replacement of $145. Suppose now when he came to restock at wholesale he found these same socks selling at $2 a pair. With his $145 he could now only buy 72 pairs of socks. It is obvious that this process could go on, in a hyper-inflation, to the point where the haberdasher was making a substantial dollar profit every time he turned over the socks but in which he was finally able to rebuy only one pair of socks and then go out of business.

Now this illustration is greatly over-simplified, but it is not fantastic. This is what has actually happened time and again in hyper-inflations. In Germany, during the inflation that culminated in 1924, the mark went to one trillionth of its previous value. Firms that were making a paper profit in marks of millions of per cent on their invested capital were constantly being forced out of business. And in our comparatively moderate inflation many American corporations today, while ostensibly making record profits, are finding themselves increasingly pinched for working capital.

The same sort of deduction applies in the case of depreciation. Under the tax laws corporations can deduct depreciation only on the basis of their original investment. But when they have deducted and put aside in a reserve $10,000,000 to write off a plant that cost them $10,000,000 to build, they find, when they come to replace the plant, that the same size and quality of plant now costs them $20,000,000. Where is the other $10,000,000 to come from? And how can the public and the government be made to see to what extent present corporate profits are illusory? How can they be made to see the extent to which these are insufficient to provide the continuous replacement and additions to the tools of production necessary to increase the output of American labor, the real wages of the worker and the welfare of all of us?

Duties of Public Relations Executives

It is here that the public relations executives of this country have a vital function to perform. It is the function of making the real situation clear to the customers of their companies, to the workers of their companies, to the government and to the general public.

The first and most important place for this to be done is in the presentation of the earnings statements of the corporations and of their annual reports. For those of you who may not have seen it, I should like to direct your attention to the annual report of the United States Steel Corporation for 1947, and particularly to the testimony last December of Enders M. Voorhees, Chairman of the finance committee of that corporation, before the Joint Congressional sub-committee on profits. In exhibiting the corporation's income figures for the first nine months of 1948, Mr. Voorhees presented a table with a deduction for what he called "wear and exhaustion of facilities"— which is a more vivid name for depreciation. This deduction for wear and exhaustion of facilities was divided into two different sums. The first sum was a deduction "based on original cost." This deduction amounted to $66,000,000. But under this was a further deduction "added to cover replacement cost." This second deduction amounted to about $40,000,000. In other words, instead of merely deduct-

ing $66,000,000 to cover depreciation on original cost, the corporation deducted a total of $106,000,000 as the total amount necessary to cover replacement cost for that period.

Mr. Voorhees was not apologetic about this practice. He pointed out that: "It is a very real and very simple fact that corporate understatement in costs of the worth of the tools of production that are consumed in production can mean in the end nothing but hidden and serious erosion of the nation's tools of production. Yet those tools are vital to the welfare of all of us. They should be extended, or at the very least, they must be kept intact." He went on to point out that: "The present non-recognition of part of that cost in computing taxable income means that the Federal Government itself is participating in and even forcing, the erosion of the nation's tools of production."

So the first thing that the corporations must do is to restate their earnings and the deductions to be made from them in such a way as to end both their own self-deception and the public misunderstanding of how great their real earnings are.

In addition to their regular reports to their own stockholders all corporations ought to make, at least as regularly, corresponding reports to their own jobholders. Some corporations already do this. An excellent model, I think, is the Johns-Manville Corporation, which has been publishing such a jobholders' report since 1937. Its simplified annual report for 1945, for example, read as follows:

	Million
Total Income	$86
For all costs (except those shown below)	41
To employees for salaries and wages	36½
To government for taxes	3½
To stockholders in dividends	3
Leaving in the business	2

The report to jobholders, of course, should emphasize how much the jobholders got as compared with how much the stockholders got. For in nearly every case this will bring out the fact that the total stake of the jobholders in the success of the corporation is far greater than the total stake even of the stockholders. For example, in the Johns-Manville report that I have just cited, the jobholders got 12 times as much as the stockholders. In the case of the United States Steel Corporation, Mr. Voorhees pointed out in his testimony last December that the corporation's payments to its jobholders were currently more than 14 times the dividend payments to its owners.

In both their reports to their stockholders and their reports to their jobholders corporations should point out what their net income is when stated as a percentage of sales. In 1948, for example, corporations made a profit of only 5 cents on every dollar of sales. Such a figure underlines how little price-control could reduce prices under present costs even if profits were entirely abolished. The results of abolishing profits would be, of course, to abolish private production. Those who think that profits are today too great remind me of passengers in the back seat who would suggest throwing the sparkplugs out of the motor in order to reduce the total weight that the car has to carry.

These, then, are some of the things that public relations executives will have to urge if corporation profits under inflation are to be put in their proper light.

Only Government Can Fight Inflation

And there is one further thing, I think, that they should NOT do. They should not allow their corporations to assume responsibility for inflation. They should not say that their company is going to "fight inflation" by some new price policy or production policy. For business is powerless to fight inflation. Only government, which has been responsible for the inflation, can fight it.

It has been fashionable for many businessmen to say that the answer to inflation is production. That isn't true. Increased production of a particular commodity may relatively reduce the price of that commodity, but increased production tends to bring into existence its own additional monetary purchasing power. And so it seldom leads to a general decline in prices. Moreover it is so much easier to print additional money than it is to produce additional goods that industry is faced with a hopelessly losing race until government policy changes. I have already pointed out that where the industrial index of production has gone up 94% since 1939 the volume of money and check deposits has gone up more than 200%. Hence prices are far higher than in 1939, in spite of amazingly higher production.

There is only one answer to inflation. It is to stop adding to the money supply. It is governmental policy that is adding to the money supply. And it is this that threatens the stability and continuance of our free enterprise system. So it is this that it is the function and duty of the public relations executives of the nation's industry everlastingly to point out.

Metal Consuming Industries And Steel Consumption

(Continued from page 8)

1946 alone the industry turned out 33,000 units. It was quickly discovered that production in one year satisfied the delayed demand, although financially the industry was not prepared for that discovery. 1947 production was 15,000 planes, wtih 1948 showing a further decline to 8,000 planes. Such falling off in demand found the industry heavily over-inventoried with the result that five companies quickly entered bankruptcy or some other form of reorganization. There is nothing to suggest that 1949 demand will exceed that in 1948. The significant fact to be observed is that in one year this industry produced all of the planes that were necessary to satisfy the demand which had accumulated during the four years of war.

Radio Industry

The radio industry similarly has passed through a complete cycle. In 1941 there were approximately 45 companies making household radio sets. So little investment in fixed assets and engineering is required, that the industry attracted a host of newcomers after the war. At the peak, there were close to 200 concerns making radios. Today, the figure is probably about 125 companies. Production in the four years immediately preceding the war totaled approximately 43 million sets. Since the war, through 1948, approximately 50 million sets have been manufactured. Only two years and one-half were required to make up the production loss during the war years. When that time arrived, in the Spring of 1948, demand fell off, and prices dropped. This industry, also, was unprepared for the falling off in demand. Inventories were heavy in relation to working capital and large scale dumping was necessary to attain liquidity. Inventory losses were so substantial that in 1948 approximately 30 companies failed, with liabilities of approximately $25 million. It is worthy of note that a year ago when demand for radio sets declined and the manufacturers of these instruments, accordingly, reduced or cancelled purchase orders with the manufacturers of components, prices on the latter items softened immediately. The manufacturers of radios who were burdened with heavy inventories, were not, however, able to take advantage of these lowered component prices immediately.

Nineteen forty-nine will be a very confusing year for this industry, because of the influence of television. It was at first thought the higher requirements for fixed assets, particularly expensive test equipment, and the more complex engineering problem, would make it difficult for a large number of companies to undertake the production of these new receivers. However. Radio Corporation of America freely made available its design data and specifications to others, so that today there are approximately 96 companies making television sets. Production in 1948 was approximately 900,000 units, compared with 150,000 in 1947. It should be observed that based on the selling price of a television receiver and the material used therein, one unit is equivalent to perhaps five average radio sets.

As the demand for radio receiving sets has fallen off, manufacturers are seeking to replace as much of that business as possible with television sales. The latter program, accordingly, has expanded so rapidly that an acute shortage of cathode ray (the picture tube), has developed. The largest producers of these tubes also make their own brand of television receiver. As a result, six or eight manufacturers are in a favorable position in respect to the availability of these tubes, whereas the other 90 are fighting for the balance.

Further, price reductions are inevitable. There are economies being experienced for the first time in large scale production. A new technique in respect to the manufacture of the 16-inch metal tube is enabling manufacturers to offer sets built around that tube at about $450. As these become available for the consumer in larger quantities, it is our opinion the price on 12-inch sets will be driven down to about $350; and 10-inch sets to approximately $250. Already, the demand for 7-inch sets at current prices has fallen off, so that substantial inventories of this model are accumulating.

Television Production

It is difficult to predict how many television receivers will be made in 1949, because it is impossible to assess what percentage of the picture tube production this year will have to be diverted for replacement. It is probably fairly accurate, however, to state that in the vicinity of 2½ million television receivers will be made during the current year. Add to this, the continuing demand for automobile radios, the increased procurement of electronic apparatus by the government, and the demand for radio and television replacement parts (there are 75 million radio sets now in use which must be kept repaired). It is obvious the industry will in 1949 consume substantial amounts of copper, lead and steel. It is not conceivable, however, that the demand will exceed that for 1948.

One brief word should be said concerning the wholesalers of radio replacement parts. Many of the components in television sets and in radio sets are not interchangeable. The wholesaler, thus, will have to add additional inventory of television replacement parts, requiring a sizable investment. Many of the wholesalers already are utilizing their working capital to the full exent. It will be interesting to observe how they finance the additional necessary investment in television parts.

Because of the downward trend of prices, the shortages of some components, and the excessively large number of manufacturers in the industry, additional financial embarrassments in this industry are looked for during the coming 12 months.

Other Industries

Manufacturers of railroad equipment, freight and passenger cars and locomotives, consume large quantities of steel. Production of freight cars in 1948 averaged 10,000 per month. The backlog of orders which the industry presently has, suggests that 1949 production will be about the same. These manufacturers now have heavy inventories on some materials, greatly in excess of immediate requirements. As these inventories are balanced out, reduced purchasing of new material is looked for.

In the four years immediately prior to the war, there were produced 6,000,000 washing machines. Total production in 1946 and 1947 and the first-half of 1948 was approximately 7,700,000. When that point was reached, demand fell, prices dropped. Emphasis currently is on lower priced models, at the expense of deluxe models. Higher priced automatic washers are not selling well. The industry as a whole is in a good financial position, since the heavy investment in fixed assets necessary to produce washing machines inhibited the interest of newcomers into the field. Ironers were produced at the rate of 70,000 a month in 1947. Production has now leveled off to approximately 35,000 a month. These two industries surely will utilize less steel in 1949 than heretofore.

The experience of the manufacturers of gas and electric ranges is similar. Demand has declined to the extent that many companies are now bringing out new and lower priced models to stimulate sales. No increase in steel requirements is anticipated in this industry during the current year.

The manufacturers of electric fans experienced a very unsatisfactory year in 1948. Demand did not come up to expectations, so that a large inventory of completed units has been carried over into 1949. These must be disposed of before new production is undertaken. Raw material requirement consequently should be less this year than last.

The refrigerator manufacturing industry reached its peak in the Fall of 1948. Production is now declining, and prices are softening.

Production of vacuum cleaners in the four years prior to the war totaled 5 million units. In 1946 and 1947, 6 million units were produced. When that point was reached, it was obvious demand was less than supplies. 1948 production declined about 300,000 units as compared with 1947 and a further reduction of perhaps half-a-million units is anticipated for 1949. Prices are substantially lower.

A comparable situation exists in respect to oil burners. Four-year production prior to the war was 900,000 units. 1946-1947 production was 1,600,000 units. Before the latter year was over, excess production had occurred. In part, perhaps, because of the threatened shortage of oil a year ago, 1948 production declined to 450,000 units. Thus again only two-and-one-half years' production was required to catch up. 1949 production may well show substantial improvement because of increasing supplies of oil, but any betterment probably would be at the expense of gas or coal-fired units, so that the heating industry's requirements for steel as a whole is not expected to be any greater in 1949.

Comparable situations are found in the farm equipment, machinery, and machine tool industries.

From the foregoing discussion it will be observed that when postwar production in these industries approached 120% of the output for the four years immediately preceding the war, pent-up demand became satisfied, price declines became evident. In every case this point was reached before the industries expected it, finding them in a heavily inventoried position. Subsequent curtailment of demand, coupled with the necessity of working off excess inventories, has reduced the requirement for raw materials.

Automobile Industry

The automobile industry did not attain that point as rapidly as these other industries. The reconversion problem was more severe in the automobile factories, and output was seriously retarded in 1946 by labor difficulties. Further, the manufacturers of passenger cars wisely decided to use not insubstantial portions of available supplies for the manufacture of replacement parts necessary to keep pre-war automobiles in operation. Dollarwise, the sale of replacement parts last year was about three times that in 1941. Further, a substantial part of available raw material was utilized for truck production. The 1938-1941 production of trucks had been 3 million units. By the middle of 1948, 3½ million units had been produced since the close of the war. A decline in demand became evident, at first in the heavy duty models. Even earlier, the peak had been passed by the producers of heavy duty trailers.

Production of passenger cars in the four years prior to the war totaled 12,365,000. By the close of 1948, almost 10 million had been produced since the war. By June 30, 1949, at present rate of production, the prewar figure will have been surpassed. There seems little reason to believe that the pattern in this industry will be any different from that experienced by the producers of refrigerators, washing machines, radios, etc. It is, accordingly, our conclusion that production and demand for automobiles are now, considering the industry as a whole, about in balance. Further, it is our decided conviction that prices can and will be reduced, partly because of the approach of normal competitive conditions, and partly because easing in the supply of raw materials will eliminate expensive practices which the industry has been forced to pursue. During the past two years, some steel mills have been able to produce more ingots than they could convert to finished steel products in their own facilities. Manufacturers of automobiles have purchased these ingots, have shipped them to other mills where they have been converted into sheets or bars. Extra costs obviously are involved. Further, frequently material has been used of a better grade than necessary in the particular parts, because it was available. Again, sheet and strip steel has been purchased in wrong sizes, entailing more than an average amount of scrap. Finally, there have been interruptions to production because of failing supplies. As all of these circumstances are eliminated, savings in costs will be experienced.

And so we revert to the original question, should additional steel making facilities be constructed at present substantially beyond those already planned by the industry? In our opinion, the answer is in the negative. Barring labor difficulties, there can be 5 to 6 million more tons of steel produced this year than last. In none of the industries considered this evening is there foreseen any substantially higher demand for steel during the next 12 months, and in several the requirement surely will be lowered.

Finally, we are optimistic as to the possibility for some reduction

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Metal Consuming Industries and Steel Consumption

(Continued from page 29)

in the price of steel. Scrap prices—and again it is observed that scrap is about 50% of the raw material of which steel is made—last yeaar average a price of $44 per ton. Supplies now are increasing. One substantial quantity recently was sold at $38 per ton, still far above the $8 per ton price which marks the low point in 1933.

I am somewhat reluctant, however, to undertake an exact prediction of unit production in these industries throughout the next 12 months, for to do so would be to imply a degree of inflexibility, of preordination, incompatible with the belief that business, under our philosophy, can, through its own ingenuity, create additional demand for its output. 1949 can be a good year if industry will take advantage of the easing raw material supplies to eliminate wasteful and costly practices that have been forced upon it. It can be a good year if labor will acknowledge that earnings have had to be reinvested in higher inventories and new equipment. It can be a good year if manufacturers will eliminate inventory losses and pass cost savings on to consumers without waiting for competitors to force prices lower at inconvenient times. It can be an excellent year if all those who profess that the profit motive really is an incentive will recognize that when they permit avarice, indifference, or ineptness to breed losses, they are showing contempt for the sincerity of their own beliefs.

Milwaukee Bond Club To Hold Election

MILWAUKEE, WIS.—The annual meeting and election of officers of the Milwaukee Bond Club will be held Monday evening, Feb. 21, 1949. Rolland A. Barnum, of Merrill Lynch, Pierce, Fenner & Beane, and his arrangement committee are putting forth every effort to make this one of the outstanding mid-winter parties of the Milwaukee Bond Club.

The Board of Governors appointed the following Nominating Committee to name a ticket for the coming year: Lester B. McElhiney, Chairman, Loewi & Co.; William H. Marshall, The Marshall Co.; Fred. G. Morton, The Milwaukee Co.; Oliver A. Julien, Thomson & McKinnon; Robert W. Haack, Robert W. Baird & Co.

The Nominating Committee reports the following nominees:

President: Rolland A. Barnum, Merrill Lynch, Pierce, Fenner & Beane.

Vice-President: Charles W. Gerlach, Charles Gerlach & Co.

Board of Governors: O. B. Adams, Halsey, Stuart & Co., Inc.; Fred D. Jenkins, C. W. Brew & Co.; William A. Johnson, Mason, Moran & Co.; Otto J. Koch, Jr., The Marshall Co.; F. A. Newton, Loewi & Co.; Carl P. Wilson, Robert W. Baird & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late William G. Baker, Jr., limited partner, in Baker, Watts & Co., ceased Jan. 27.

J. Lewis Henry retired from Carstairs & Co. Feb. 1.

Jack Dreyfus, Jr., John Behrens and Alan M. Stroock, trustees under Trust Indenture dated Jan. 31, 1947, limited partner, retired from Dreyfus & Co. Dec. 31, 1948.

Henry P. Vaux withdrew from limited partnership in Graham, Parsons & Co. Jan. 31.

The State of Trade and Industry

(Continued from page 5)

that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 100.1% of capacity for the week beginning Feb. 7, 1949, as against 100.9% in the preceding week, the new rate at the start of 1949. The Institute reports the schedule of operations is down 0.8% from the previous week.

This week's operating rate is equivalent to 1,845,400 tons of steel ingots and castings compared to 1,860,100 tons a week ago, 1,830,600 tons, or 99.3% a month ago, and 1,670,900 tons, or 92.7% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS OFF 4.3% FROM PREVIOUS WEEK

Loadings of revenue freight for the week ended Jan. 29, 1949, totaled 679,255 cars, according to the Association of American Railroads. This was a decrease of 30,330 cars, or 4.3% below the preceding week and a decrease of 47,090 cars, or 6.5% under the corresponding week in 1948. It also represented a decrease of 155,796 cars, or 18.7% below the similar period in 1947.

ELECTRIC OUTPUT RECORDS A MODERATE DECLINE IN WEEK ENDED FEB. 5

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 5 was estimated at 5,778,476,000 kwh., according to the Edison Electric Institute. This represented a decrease of 31,558,000 kwh. below output in the preceding week; 366,115,000 kwh. or 6.8% higher than the figure reported for the week ended Feb. 7, 1948 and 977,297,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT RECEDES IN LATEST WEEK DUE TO MODEL CHANGEOVERS AT CHRYSLER

Production of cars and trucks in the United States and Canada for the past week fell to an estimated 103,910 units compared to 116,471 (revised) units in the week preceding, according to "Ward's Automotive Reports."

A major reason for the drop was Chrysler Corp.'s changeover to 1949 models which cut this company's total output by 4,000 units, the agency said.

Output in the similar period a year ago was 82,717 units and in the like week of 1941, 127,675 units.

Last week's output consisted of 73,144 cars and 26,761 trucks built in the United States and 1,775 cars and 2,230 trucks in Canada.

BUSINESS FAILURES AT NEW HIGH

Commercial and industrial failures increased 6.6% to 145, a new postwar peak, in the week ended Feb. 3, Dun & Bradstreet, Inc., reports. Casualties were considerably more numerous than in the comparable weeks of 1948 and 1947 when 97 and 65 occurred respectively. They remained less than half the total of 318 in the same week of 1939.

Failures involving liabilities of $5,000 or more rose to 127 from 110 last week and compared with 84 a year ago. Small failures with liabilities under $5,000 declined to 18 from 26, but remained slightly above the 13 reported last years.

Manufacturing casualties increased to 46 from 31, accounting for a major part of the week's rise. In retail trade failures declined to 63 from 71 but exceeded the 42 of a year ago. Fluctuations in the other groups were slight.

The Pacific States reported 44 failures, their highest number in over six years. Casualties in the Middle Atlantic States dipped to 39 from 41 and in New England to 18 from 20. Slight increases prevailed in the North Central regions, while failures continued at a low level in other areas.

FOOD PRICE INDEX FALLS TO NEW LOW SINCE OCT. 8, 1946

Moving downward for the sixth successive week, the wholesale food price index, compiled by Dun & Dradstreet, Inc., fell 3 cents to $5.88 as of Feb. 1, a new low since Oct. 8, 1946, when it stood at $5.40. The current figure is 17.6% below the $7.14 recorded on the like date a year ago, and represents a decline of 20.1% from the all-time high of $7.36 set on July 13, 1948.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX EASES SLIGHTLY IN LATEST WEEK

There was a further moderate decline in the general level of prices in the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to 261.72 on Feb. 1, the lowest since early in July, 1947. This compared with 264.42 a week previous and with 299.77 on the like date a year ago.

All grains showed further weakness during the week. Trading in wheat and corn increased rather sharply due to liquidation and selling which carried prices well below those of a week ago.

Government buying of corn was less active and domestic demand for cash corn was slow. Cash wheat was inactive and lower. A depressing factor was the Department of Agriculture report showing farm reserves of wheat as of Jan. 1 at record levels. Domestic flour business continued spotty with prices slightly easier; volume of bookings was small although somewhat above the low level of the preceding week.

With manufacturer interest still lacking, cocoa dipped to new low ground for the season at mid-week but staged a brisk recovery later in the week as the result of increased demand in the spot market and reports of a firmer trend in producing countries. Butter was firmer at the week-end, although prices were easy most of the week due to continued buyer resistance to higher priced offerings. Lard developed a steadier tone in the cash market. Prices for hogs and steers in the Chicago livestock market were erratic. Average beef steer quotations reached a new low since May, 1947, early in the period. Hog prices recovered at the close to finish about unchanged from a week ago. Sheep and lamb prices were higher for the week, reflecting smaller receipts.

Cotton prices were steady and moved in a narrow range following a moderate decline earlier in the week.

Trading in spot markets was active, with volume of reported sales more than twice as large as in the corresponding week a year ago. The export trade was featured by continued price-fixing against sales of cotton abroad. Profit-taking and scattered liquidation appeared at times, reflecting uncertainty over domestic consumption and the government's price support policies.

Entries into the 1948 loan stock in the week ended Jan. 20 increased sharply to 139,441 bales, from 111,429 in the preceding week, and 123,533 two weeks ago.

Trading in the Boston wool market during the past week continued generally slow. Sales of small scattered lots of greasy fine combing wools were noted, demand for which remained strong at firm prices. Wool prices in foreign primary markets were firm to higher. Imports of apparel class wools remained in good volume.

Daily average consumption of apparel class wools in November was reported at 1,480,000 clean pounds. This was a drop of 13.9% from October and represented the smallest daily consumption for any month since October, 1940.

RETAIL AND WHOLESALE TRADE SUSTAINED AT HIGH LEVEL OF COMPARABLE WEEK A YEAR AGO

As heavy snow and severely cold weather prevailed in many parts of the nation, shoppers bought slightly less than in the previous week. Total retail dollar volume, however, rose fractionally above that of the comparable week last year, according to Dun & Bradstreet, Inc., in its current review of trade. Those consumers not hindered by clogged and ice-glazed roads were attracted to clearance sales in large numbers.

Shoppers' interest in apparel declined slightly during the week. Promotions continued in many areas but consumers did not respond as favorably as in recent weeks.

Shoppers' response to early Spring apparel offerings was generally slight. Wet weather wearing apparel such as raincoats, boots, rubbers and umbrellas was eagerly sought. The demand for both men's and women's shoes rose slightly.

Consumers purchased food at a volume level close to that of the previous week, with dollar volume slightly exceeding that of the corresponding week a year ago.

The demand for smoked meats and pork rose slightly, but beef dipped fractionally in popularity. Supplies of fresh produce were scanty in scattered areas. Consumers bought more canned and frozen vegetables than in the previous week. The interest in canned and frozen citrus juices continued to be high.

Clearance sales of furniture and household wares continued to be widespread, but many merchants reported that the response was not as favorable as in recent weeks due to inclement weather. Reduced-price floor coverings, particularly broadloom carpets, were sold in a considerable quantity. The interest in major appliances continued to be limited, though heating equipment was purchased in an increased volume. The retail volume of hardware rose slightly with demand for auto accessories showing a noticeable increase.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 1% below to 3% above that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England up 1 to up 5, East up 1 to up 4, South down 1 to up 3, Midwest unchanged to up 4, Northwest down 3 to up 1, Southwest and Pacific Coast down 4 to unchanged.

Wholesale order volume in the week increased fractionally with total dollar volume not showing any appreciable change from that of the similar week last year. The number of buyers attending many wholesale markets dropped moderately during the week, but substantially surpassed that of the comparable week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 29, 1949, showed a decrease of 7% from the like period of last year. This compared with an increase of 2% in the preceding week. For the four weeks ended Jan. 29, 1949, sales increased by 2% and for the year to date by 5%.

Retail trade here in New York suffered a further recession the past week from the level of the comparable period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Jan. 29, 1949, declined by 8% from the same period last year. In the preceding week an increase of 1% was registered over the similar week of 1947. For the four weeks ended Jan. 29, 1949, a decrease of 1% was recorded over that of last year and for the year to date volume increased by 4%.

Business Man's Bookshelf

Graphic Stocks 1924-1935—With monthly highs and lows and yearly earnings and dividends and 744 charts covering virtually every stock listed on the New York Stock and Curb Exchanges—F. W. Stephens, 15 William Street, New York 5, N. Y.—$15.

Industrial Training—A Guide to Selected Readings—John M. Brophy and I. Bradford Shaw—New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y.—paper.

Primitive Money in its ethnological, historical and economic aspects—Paul Einzig—Eyre & Spottiswoode, Ltd., 15 Bedford Street, Strand, W. C. 2, London, England—cloth—25 shillings.

Renegotiations of War Profits—Richards C. Osborn—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—paper.

Newburger, Loeb Open Branch Under DeMartini

Newburger, Loeb & Co. members of the New York Stock Exchange and other exchanges, announce the opening of a new branch office at 41 West 47th Street, New York City.

George J. DeMartini, formerly a partner of James M. Leopold & Co., is the Manager of this new office. and Morris B. Cohen is Assistant Manager.

Now Turley & Tegtmeyer

CHICAGO, ILL.—The firm name of Barnes, Turley & Tegtmeyer, 120 South La Salle Street, has been changed to Turley & Tegtmeyer.

Government's Obligations to Business

(Continued from page 10)

dled by all carriers on the Mississippi River system; in 1935 this volume had increased to 63 million tons; and in 1948 it reached 143 million tons. Barge transportation has developed into a large and flourishing industry, handling many times the tonnage of the packetboat fleets in their most prosperous days. Oil from the South and West to the North and East is now the predominant cargo. Millions of tons of coal are carried from Pennsylvania, West Virginia and Illinois to industrial centers throughout the River System. Grain from the farming areas is shipped to mills and elevators and to New Orleans for export; steel from the mills of Pittsburgh, Chicago and St. Louis moves in all directions to fill the needs of our growing economy; the sulphur of Louisiana and Texas moves up river in ever-increasing tonnages; sand and gravel are being carried longer and longer distances to feed the nation's concrete mixers; and dozens of other commodities—such as scrap iron, bauxite, sugar and tinplate—are being shipped by river barge in increasing quantities. To take advantage of this rapid development of waterborne freight, more and more industries are locating their plants near navigable water.

The Federal Barge Line has not kept pace with the booming private barge industry. Why?

Private Lines Developed More Rapidly

One reason is that the Barge Line has not developed technically with the same speed as the private lines. In its first years of operation the Line had the best equipment available; but in more recent times it has operated with a fleet of aging steamboats and clumsy barges when the private lines were introducing diesel engines and streamlined tows. For many years the Barge Line was preoccupied with litigation with the railroads, with labor difficulties, and with management problems caused by changes in administration.

This failure to compete effectively with the private lines cannot be attributed to the inefficiency of government operation. The Barge Line could not compete on an equal basis with the private lines because it was providing services that the private lines were dropping in order to increase their returns on the more profitable services. The private lines discovered years ago that the big profits came from big tows—from the movement of bulk cargo in 10, 15 and 20,000-ton volumes. They gradually abandoned all attempts to handle general merchandise in package and carload lots; they also abandoned their once vigorous campaign to establish joint rates and routes with the railroads so that they could serve the inland shippers. The Federal Barge Line, however, could not abandon its attempts to establish an all-around service that would pass on the economies of water transportation to the thousands of businessmen who were not located at waterside. The fundamental purpose of the government in operating the Barge Line is to develop the usefulness of the waterways of the Mississippi Basin so that all businessmen, whether or not they are located on the rivers, can ship their goods more economically and more profitably.

The task of the Inland Waterways Corporation is to accomplish this purpose. The Corporation is undertaking to do this job. It is encouraging the development of a series of public terminals along the banks of the river to provide a general terminal service with warehousing collection and distribution for its own operations as well as those of other barge lines. Modern equipment is being designed and built so as to provide the fastest possible service for the movement of package and carload freight, as well as bulk cargoes.

These efforts of the Corporation to modernize the Barge Line do not mean that the government is trying to increase the sphere of governmental enterprise. I want the Line to operate at a profit, and I shall do everything in my power to make it earn a profit. I feel confident that with good management and with the cooperation of businessmen and local government agencies the Barge Line will not only show a profit but will add greatly to the economic wealth of the area. As soon as the Line becomes a profitable operation, the government will get out of the barge business and turn the Line over as a going concern to private business — with suitable guarantees that under private management the Line will continue to serve inland shippers and shippers who want to use water transportation for package and carload shipments.

How does this policy of the government concerning the Barge Line measure up against the four obligations of government to business that I mentioned earlier?

I said that government must permit business to take care of most of the country's needs, and that business should be given the utmost freedom in meeting these needs. Certainly the government is not taking a disproportionate share of the barge business. Private barge lines are now carrying 98% of the freight on the Mississippi River System. The government has no intention of staying in the barge business forever.

I said that government must supply services for all business and undertake certain activities for the good of all business when private business cannot or does not care to undertake these activities. The private barge lines have practically abandoned the carrying of carload and package shipments, and they are not providing joint rail-barge service to firms with inland locations. The government line is providing the services that are given by the private lines, just as the government undertook the tremendous job of developing a 9-foot channel for navigation throughout the River System.

Enforcing Fair Play

I said that government must enforce certain rules of fair play so that all businessmen can compete on the same basis and with no unfair handicaps. The private barge lines have denied the economies of river transportation to the inland shippers and to the small businessmen who wish to ship in small lots. The government believes that the Federal Barge Line must provide this service so as to make available to all businessmen in the area the use of the River System.

I said that government must bring business into the councils of government and work openly with business in the development of policies that affect the welfare of the economy. I hope that by laying before you my thinking about the Federal Barge Line I have, in part at least, carried out this obligation. Government cannot always do what businessmen think it ought to do; but it can explain fully why it believes certain policies are necessary, and it can modify those policies when business shows clear and sufficient reason why they should be modified. I assure you that I shall always welcome your criticisms and suggestions.

I wish that the administration of the Federal Barge Line were the only problem facing the Department of Commerce. Unfortunately, it is only one of many difficult problems.

Responsibility of Commerce Department

The Department of Commerce is responsible for administering the program of voluntary industry cooperation authorized by Congress for the purpose of allocating scarce goods and materials which basically affect industrial production, the cost of living, our national security, or our general welfare. During the year that this program has been in operation, the Office of Industry Cooperation in the Department of Commerce has concentrated its efforts on obtaining agreements from the steel industry for assuring an adequate supply of steel to those critical parts of the economy where it is most badly needed. Never in our history has the production of finished steel been as great as during the past year. Production of finished steel in 1948 reached 65.7 million tons, an increase of 2.6 million tons over 1947. We have been assured that the production in 1949 will be increased by more than 2 million tons over the 1948 volume. In spite of this high level of production, the demand for steel is outrunning supply. As a result of the voluntary allocation program approximately 10% of the current output of steel is being directed to correct shortages in transportation, housing, the petroleum industry and national defense. This does not mean that 10% of the supply of steel is being diverted to these industries from other uses. A great part of these needs would have been met without a program of voluntary allocations. It does mean, however, that the most critical industries are assured of steady supplies in the interest of the national economy.

This program will expire on Feb. 28 unless Congress authorizes its extension. I think you may be interested in knowing a few specific facts about the agreements now in effect. They provide the following amounts of steel each month to key industries: (1) 25,000 tons for the construction, conversion, and repair of domestic freight-carrying barges and towing vessels; (2) approximately 250,000 tons for the construction of new freight cars and the repair of railway rolling stock; (3) 40,380 tons for the construction and repair of oil tankers; (4) 15,415 tons for the construction and repair of merchant vessels; (5) 16,530 tons for the manufacture of oil field tank and production equipment; (6) 102,505 tons for the Armed Forces; (7) 22,265 tons for the requirements of the U. S. Atomic Energy Commission; (8) 1,926 tons for the National Advisory Committee for Aeronautics; (9) 26,400 tons for the production of mining machinery and repair parts; (10) 2,192 tons to be used in Canada for the manufacture of ore cars which will be used by the Union of South Africa railways for transporting manganese ore from South African mines to tidewater; (11) 2,570 tons for the maintenance and repair of anthracite mines and preparation facilities; (12) 31,625 tons for the production of warm air heating equipment, and (13) 9,835 tons for the production of all-steel manufactured houses.

I know you will agree with me that these are vitally necessary uses of steel. In addition to the allocations I have mentioned we expect to put into effect a new plan for a voluntary allocation of 8,400 tons of steel products each month to be used in the manufacture of farm-type grain storage bins. These bins will enable farmers to store an additional 100 million bushels of grain.

In addition to the agreements I have mentioned, the pig iron industry is making available 102,505 tons of pig iron each month to manufacturers of cast iron housing items such as soil and pressure pipe, boilers, and radiators.

The voluntary allocation program is not a perfect solution to the steel problem. The only solution to that problem is adequate production of steel to meet the nation's needs. But I believe the program has been more successful than anyone hoped it would be a year ago. I believe it measures up to the four obligations of business to government. It has undertaken a job that could not have been carried out by business itself under our competitive enterprise system. Government has worked cordially and closely with representatives of the steel industry and industries using steel and I have been gratified by the spirit of harmonious team play that has characterized our meetings with these industries. Government has not attempted to go into the steel business itself or manage the steel business. It has simply provided a way by which the industry can more effectively care for the most critical needs of the economy. In the conduct of the program we have watched vigilantly for any evidences of failure to abide by the agreements. In one case where we discovered that a company was misusing the steel it had received under an allocations plan, we withdrew its privileges of further participaton. I hope that the Congress will extend authority for the voluntary program and I hope also that before too long no controls, voluntary or otherwise, will be needed.

The government cannot always rely on voluntary cooperation to make sure that goods in scarce supply are channeled to the right destinations. Ever since the beginning of the war it has been necessary to maintain mandatory controls over the export of goods that are in scarce supply. As long as the world-wide demand for certain critical commodities remains greater than the supply it will be necessary for the government to maintain export controls.

Export Controls

The Department of Commerce is charged by law with fostering and promoting foreign and domestic commerce. We in the Department like to promote and develop trade throughout the world and it is not to our liking to place obstacles in the way of a free flow of commerce. Nevertheless, with nearly every country in the world eager to buy our steel, our chemicals, our aluminum, and other equally critical goods, we cannot permit unregulated drains upon our supplies to occur.

As a result of export controls, it is inevitable that some hardships will be suffered by some businessmen. We have tried in every way possible to reduce the hardships to an absolute minimum. We have removed controls from various commodities as soon as it became apparent that the supply was sufficient to take care of all purchasers here and abroad. We have constantly modified our regulations so as to permit as many exporters as possible to participate in the export business. In an attempt to bring our regulations in line with the problems and the practices of the export trade we have established over 40 special advisory committees. We discuss our problems and our regulations openly with these committees and the results of our discussions have been beneficial to ourselves and, I hope, to the trade.

I assure you that export controls for the purpose of controlling the drains upon our scarce commodities will be lifted as soon as it is possible to lift them.

In addition to protecting the economy against the drain of commodities in short supply export controls have also served as a flexible instrument of foreign policy. The security of the nation requires restrictions on the export of certain highly strategic goods—both raw materials and highly fabricated commodities. As you are well aware, the international political situation is in a state of rapid change and our policy has necessarily remained flexible so as to meet these changes.

I believe that export controls have been administered in the best interests of America. I believe they have been administered as far as humanly possible so as to give all exporters a fair chance to do business and I am convinced that we in the Department of Commerce have done as much as possible to keep businessmen informed of our problems and our policies with regard to export control. We hope that the day is not far distant when we can remove most if not all export controls and permit American businessmen to seek business in all parts of the world with an absolute minimum of hindrance from their own government.

Development of Resources

All of you in this part of the United States are interested in the activities of the Federal Government relating to the development of the resources of our great river basins. For many years the Federal Government has been building dams, deepening channels, strengthening embankments and carrying on systematic research to discover the best ways of making use of the land and the water in these basins. At the present time the Departments of Commerce, Army, Interior, Agriculture, and the Federal Power Commission are working together as members of the Federal Inter-Agency River Basin Committee. I am pleased to say that the Chairman of this committee in 1949 is Mr. H. B. McCoy of the Department of Commerce.

The Federal Government has no fixed and final points of view regarding the means by which our river basins should be developed. Navigation, flood control, soil conservation, reclamation, and the production of hydro-electric power are closely related to the expansion of production, markets and employment. Consequently, the development of these resources is of immediate interest to you as businessmen in this area. The Inter-Agency Committee I have mentioned is working closely with representatives of local government and business and we hope to find solutions that will be acceptable to everyone concerned.

The policies of the Federal Government will be sound only so far as they minister to the needs of all the people. Government can form sound policies only by keeping in constant touch with the needs and the creative ideas of the people who furnish the driving power for our economy and who participate in its benefits. Your government is dedicated to the ideal of active service and progressive leadership. It is for you to decide how good the services of your government are and how progressive the leadership is. It is for us in government to do our best to meet your standards.

Eisele King Acquires Chicago Commodity Firm

Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will acquire the business of Crofton, Fritz & Co., Inc., members of the Chicago Board of Trade and the New York Produce Exchange, on Feb. 14. Arthur V. Crofton, President of the latter firm, will become associated with Eisele & King, Libaire Stout & Co., as manager of the commodity department.

Trust Investment Problems Ahead

(Continued from page 7)

in brokers' loans and a rise in interest rates and hence to a decline in prices on bonds. A strong bond market, on the other hand, meant low money rates, caused in part by poor business activity, and hence a smaller demand for funds for business as well as for security transactions.

During the past few years we have witnessed strong bond and stock markets at the same time. We have also had periods during which prices of both equities and bonds declined. Whereas in the past the trust investment officer would shift from bonds into stocks and from stocks into bonds, today this has become a much more complicated operation, adding to his diffciulties.

Nobody can say what the future has in store for us. Yet the trust officer confronted with the task of investing the funds entrusted to him must have at least a general picture of the outlook. In addition, he must be broad-minded and be able to change his opinion as rapidly as conditions change. By taking into account all factors, as far as the individual can see them, and by using reasonable judgment, one can at least indicate the markers on the road even though the trail may sometimes be misleading.

Inflation Has Run Course

Taking into consideration the various forces operating in our economy, the State of the Union and Economic Reports of the President and the Budget Message, one is forced to the conclusion that unless new measures, other than those proposed, are taken by the Congress and the Administration, the forces which brought about the inflation have run their course. This conclusion is based on the following premises:

(1) The scarcities created during the war have to a large extent been met. In many industries supply has caught up with demand and even exceeded it. In industry after industry the market is rapidly being converted from a sellers' to a buyers' market.

(2) The supply of purchasing power in the form of deposits and currency in circulation has caught up with the supply of goods at present prices. Hence, if the means of payment do not increase from the present level beyond the increase in the supply of commodities, the accumulation of purchasing power in the hands of the people should not exert an upward pressure on commodity prices.

(3) While in a number of countries the governments, through subsidies, are endeavoring to keep down prices and the cost of living, in the United States the government during the current year will be spending hundreds of millions of dollars to keep farm prices from declining from their present level and thus preventing a further material reduction in the cost of living.

(4) The President's Budget Message contains both inflationary and deflationary measures. If all the proposals were adopted by Congress, which is by no means certain, the anti-inflationary measures would in all probability outweigh the inflationary ones.

Whether the readjustment will be orderly, or whether it will degenerate into a recession of more serious character than can be envisaged at present, will depend to a considerable extent upon the psychological reactions of individuals and groups. It is fairly certain, however, that a severe decline in business activity cannot take place during the next 12 months, partly because of the farm policy adopted by Congress, which will keep farm income at a high level; partly because of large government expenditures, increased public works and public housing; partly because ERP will maintain exports at a high level; and partly because the liquid savings in the hands of many individuals are still large and increasing. A possible decline in capital outlays by private enterprise will very likely be counteracted by an increase in expenditures by the Federal Government and by state and municipal governments. Business activity should therefore remain at a fairly high level, and all indications are to the effect that the economy during the coming year may be marked by a greater degree of stability than has been the case during the last few years.

Readjustment Important

The readjustment is important to the trust officer. In the first place, the danger of a further substantial decline in the buying power of the dollar seems to have been removed unless, of course, new measures are taken by the government and labor leaders to renew the price-wage spiral. The trend of commodity prices should be mildly downward, and therefore the need to seek a higher income at the expense of safety of principal will be somewhat reduced. A more stable economy in the immediate future will make long range planning somewhat easier for the trust officer than has heretofore been the case. This, of course, is merely the analysis of one individual. Each trust officer will have to make his own analysis based on his own judgment, and he may reach different conclusions from those that have been outlined.

The movement of interest rates will be strongly under the influence of business activity, which in turn will have a direct bearing on the policies of the monetary authorities and on the position of the Treasury. One may however state with a fair degree of certainty that no important changes in the money market are likely to take place in the immediate future. The present policy of the monetary authorities of keeping government bonds pegged will in all probability continue. The Economic Report of the President of Jan. 7 contains the following statement: "The public debt will continue to be managed in a manner that will make a maximum contribution to the stability of the economy. An important factor in this program will continue to be the maintenance of stability in the government bond market." This means that the 2½% rate on long-term government obligations can be taken for granted, and this in turn sets the pattern for all other rates on high-grade corporate and municipal obligations.

Evaluation of Bonds

While on the whole the bond market will remain unchanged, credit factors will play a much more important role in evaluation of bonds. The spread between high-grade and lower-grade bonds will widen. Some of the medium-grade bonds, under the impact of business conditions and a decrease in profits, may witness considerable declines. On the other hand, some bonds which hitherto have been considered of medium quality will reflect for the first time the great permanent improvements that have taken place in the financial status of corporations during the past few years. It will also become easier to evaluate more accurately the status of obligations of organized railroads. From now on, the trust investment officer will have to be much more careful in selecting bonds and in evaluating the effects of the past few years on the status of various industries and individual corporations.

The market for tax-exempt government obligations in the future will, as in the past, be influenced by the status of the money market in general. If business activity should turn downward and the Board of Governors of the Federal Reserve System should find it necessary to lower reserve requirements, this will increase the demand for short and medium term obligations by commercial banks. Vice versa, if the inflationary dangers should become more pronounced and further credit restrictive measures should be taken by the Reserve authorities, commercial banks may be sellers of tax-exempt securities. In view of the pressing need for public works by states and municipalities, the supply of tax-exempt obligations ought to be substantial. Changes in taxes, personal as well as corporate, will also play an important role in evaluation of prices of state and municipal obligations. A material increase in corporate taxes will create a greater demand for tax-exempt securities on the part of institutional investors such as commercial banks. An increase in taxes on the higher income brackets will also create an added demand for tax-exempt securities.

Above all, quality of the municipal obligations will play a much more important role during the next few years than during the war and immediate postwar periods. Expenditures of states and municipalities have increased considerably during the last few years but there is still further urgent need for schools, hospitals, and other improvements. Taxes of municipalities have increased considerably, however, and a further rise from the present level will undoubtedly encounter opposition. Even a moderate decline in business activity may adversely affect revenues of states and municipalities and tend to increase their expenditures for relief.

As regards state and municipal obligations, the investment officer will have to study the following questions probably more carefully than ever before: (1) What were the permanent effects of the war and the shift of population on individual communities? (2) To what extent has the influx of new people created a potential relief load when business activity will have decreased? (3) Do the newly established industries rest on a sound foundation and how will they stand up in a buyers' market? (4) What effect will the closing of some of the new factories have on the financial status and hence on the credit standing of a community?

An analysis of these factors will indicate that while the credit standing of some municipalities has definitely improved, others have weakened. In general, the tax-exempt market should be active, and it may be favorably affected by increased taxes, the shift of funds previously invested in land, ranches, real estate, and in some cases in equities, to tax-exempt securities. Selectivity and quality, however, will play an important role in the immediate future.

Stock Prices

As previously indicated, there are reasons to believe that the forces of inflation have run their course and that a moderate decline in prices of commodities is in the making. This outlook raises a number of questions as regards the investment in equities. If stock prices during the years 1945-48, when the rise in prices and the decline in purchasing power of the dollar was most pronounced, actually declined, what will their course be in the future? The Dow-Jones average of 65 stocks was 72.36 in December, 1945 and 63.66 on Dec. 31, 1948. This decline occurred during a period when profits of corporations were rapidly increasing and the outlook for business was good. The questions therefore arise: What will be the course of equity prices during the period of readjustment? To what extent will the decline in profits influence the payment of dividends, and is the present a good time to sell or to buy equities? To answer these questions would mean to forecast the equity market, and that I am not capable of doing.

Nevertheless, while the investment officer may be very uncertain as to the trend of equity prices, he has to make decisions. Under present conditions, the decisions made by investment officers will, among many other factors, be guided by the following considerations:

(1) The spread between yield of equities and that of bonds is now greater than before. Moreover, no material change is to be expected in this respect because during the past few years corporations paid out only a relatively small fraction of their earnings in the form of dividends, and even if profits should decrease this will probably not cause a drastic decline in the payment of dividends. Earnings of corporations in general can decline substantially and still permit them to pay the same dividends as in 1948. At the same time, as was pointed out before, a material increase in the rate on high-grade corporate, government, or municipal bonds is not to be expected.

(2) Capital expenditures by corporations in the near future are not likely to be at as high a rate as was the case during the past three years. Hence, the need to plow back earnings will not be as pressing, and corporations should be in a position to pay out a larger portion of their net income in the form of dividends.

(3) The inflation of the past few years is to a large extent permanent and a return to the price levels of the 20's, not to mention the 30's, seems to be utterly out of the question. This, in turn, means that the total value of business done in the United States in terms of dollars is bound to be larger than in previous periods and that dollar sales and profits are bound to be higher.

(4) While the break-even point in industry is very high, and in the case of some corporations even a moderate decline in gross profits could have a pronounced effect on net profits, yet the fact should not be overlooked that the break-even point is not a fixed one. A decline in profits will undoubtedly result in an increase in efficiency of management while even a moderate increase in unemployment will lead to greater productivity of labor, thereby reducing the break-even point.

The decisions as regards investing in equities to be made by the investment officer in the period of readjustment, then may be summarized as follows: He will place increasing emphasis on a safe return on investment rather than on the movement of equities, which to a large extent cannot be predicted since it is often under the influence of psychological rather than economic factors. It may be advisable for him to examine the groups of equities which have already discounted the readjustment and those which have still failed to do so. At the same time, he will give the most careful consideration to the outlook for business in the immediate future, and to the prospect for individual industries and corporations and to their probable effect on the earnings of companies whose stock the trust either holds or contemplates buying. In general, the time does not appear to be opportune to be particularly bold, and in view of the low economic and international political visibility a policy of caution and of reliance on income rather than on appreciation is indicated.

No Adequate Hedge Against Inflation

Experience of the past few years has shown that there is no adequate hedge against inflation and that while some groups may benefit from this phenomenon, society as a whole is the loser. Under present conditions there are reasons to believe that the forces of inflation have run their course and that the purchasing power of the dollar will either remain more or less stable or show a moderate increase. This situation has removed one problem confronting the trust officer, but a number of others have arisen. The principal new problem is that of judging how the readjustment and the great changes brought about by the war will affect individual groups of securities.

It is fairly certain that money rates in the immediate future will remain fairly steady, and no material change in prices of high-grade bonds can be foreseen. As in the past, so in the future, the policies of the monetary authorities will play an important role in the money and capital markets. The quality of securities, however, is bound to be a more important consideration in the immediate future than in the past. While it is impossible to state with any degree of accuracy what the course of the equity market will be, partly because psychological factors play such a vital part in the movement of stock prices, it is quite evident that a large number of securities earning good returns are available at the present time. Realizing the great uncertainties, the trust investment officer will therefore concentrate more on income, and today the opportunities for selecting high-grade equities offering a more or less steady and satisfactory return are better than they have been for some time in the past. The movement of prices of securities during the past few years has conclusively demonstrated, however, that in the long run the policy of conservatism and of a well-balanced portfolio is the soundest one during periods of economic changes.

Monetary Fund Derelict In Warnings of Dollar Shortages

(Continued from page 7)

ever, this association of export credit men does not need any bureaucratic pressure to remain solvent. All it wants is an informed warning of trouble ahead; and an equally informed announcement that the tracks of trade are clearing for the resumption of trade.

In 1944, the International Monetary Fund had not been organized. When it was organized shortly thereafter it was given power to collect precisely the information we need. Article 8, Section 5 of its Articles of Organization provides that the Fund may require members to furnish it with statistical information, including that relating to their international investment position and international balance of trade. Our Congress, in passing the Bretton Woods Act, authorizing our participation in the World Bank and the Fund, provided, in Section 8-A, that the President could require any person to furnish such data in such detail as is necessary to comply with the request of the Fund, and implemented it by providing for punishment, as for contempt of court, any refusal to comply. There can be no doubt, therefore, that the Fund has authority to do the job.

Inventory Control Applicable to Foreign Exchange Transactions

As every foreign exchange trader knows, the foundation of successful trading is a position-

book in which the trader enters both his present stock, his obligations to deliver, and commitments to receive foreign exchange in future. In other words, the methods of inventory control are applicable to dealing in foreign exchange as they are in any other merchandising operation.

The Philippine Islands, Liberia, and Cuba are the latest entrants in the rapidly growing number of nations that are setting up Central Banks. The Central Banks are the habitual guardians of the foreign exchange position of their countries and consequently able to supply the statistics with regard to their country for an international position-book. No greater contribution toward the restoration of international position-book. No greater contribution toward the restoration of international stability and consequently more normal trading relationships between the members of the specialized agencies of the United Nations could be made than by such liaison with Central Banks, in dealing with the statistics of international payments.

But as long as this information remains secreted in the archives of the Fund, or is disclosed only in statistical releases that neither our Congressmen, our business men, nor the general public are competent to interpret, it cannot guide us in making the right decisions.

I propose to you, that we lay our problem before the International Monetary Fund, and invite their consideration of it. I would not be completely honest if I withheld the information that I tried to do this some months ago. The reply was so beside the point as to be characterized as "the brush-off," but I am willing to attribute it to my inability to state the problem clearly. This time, let's get a straight answer.

The Sugar Scene Changing

(Continued from page 19)

6.217¢ per pound, and for refined, 8.30¢ per pound. The year 1948 found us, for the first time in six years, without fixed prices stipulated and dictated by the government. True, the price during 1948 was influenced by the actions of the government in the handling of the quota under the Sugar Act of 1948, but the direct fixing of the price had been eliminated. It is, therefore, interesting to note that for the year 1948 the average price of raw sugar, duty paid basis, was 5.545¢ and of refined sugar 7.73¢. Thus it will be seen that raw values, on the average, were about 100% higher in 1948 than in 1940, while refined, in 1948, was about 75% higher than the refined price in 1940. It should also be noted that between 1940 and 1948 the duty on Cuban raw sugar was reduced 40¢ per 100 pounds. Refiners' margin increased in the eight year period under discussion less than 50%. The theoretical average margin in 1940 was 1.01¢ per pound, and in 1948 it was 1.50¢ per pound.

Total Consumption Higher

Another change in the business is in the volume of sugar used in the United States. In our nation—the largest user of sugar in the world—6,890,000 short tons of sugar, raw value, were distributed in 1940. The distribution in 1948 is preliminarily placed at 7,341,000 tons, or a gain of 450,000 tons. The probabilities are that there will be distributed in the current year 7,500,000 tons. Expressing this on a per capita basis, we find that in 1940 we consumed 97.6 pounds refined sugar, and in 1948 93.6 pounds. Of course, the per capita consumption was actually higher in 1948 than indicated, for we started in that year with extremely high invisible stocks, which do not show up in the per capita figures for that year. If we reach our estimate of 7,500 000 tons this year, the per capita will be 95.3 pounds of refined sugar.

New Rules — New Values

Of all the changes in the sugar business, the most important occurred 15 years ago, when the first of the Sugar Acts came into being. That changed fundamentally the entire picture of marketing and pricing of sugar for our market. Prior to 1934, the year when the first Sugar Act began to function, the sugar price was affected primarily by the rise and fall of production and consumption here and abroad. Sugar prices in the United States were markedly influenced by what happened in the rest of the world.

Of particular significance in the Sugar Acts is the responsibility vested in the Secretary of Agriculture to influence the domestic price level of sugar in accordance with a certain formula. His estimates of the needs of the United States market constitute the Secretary's chief powers in affecting the price level. His mechanism for lifting or depressing the price of sugar is made up, roughly, of (a) the initial fixing of the overall quota, (b) subsequent reallocations as this or that area seems to be unable to fill its quota, and (c) further adjustments in the master quota.

This profound change in the sugar business has made it necessary for all of us to change our basic concepts in judging price trends in sugar. The industry has had to master a new set of rules. In learning this new set of rules it has also been necessary for the sugar student to develop a sixth sense for phychological values. And as never before an *intimate* and *comprehensive* knowledge of all developments in all areas is essential, together with the ability to evalute each development. *Actually, it is more difficult to predict the trend of sugar prices under the quota system than was the case when the law of supply and demand functioned unhindered.*

A Mistaken Notion

Some poorly informed people have the mistaken notion that the new system has simplified the business of judging the market trend. Such an attitude provides them with an excellent opportunity to lose money. They say that the Secretary of Agriculture needs only to make his pronouncements and the market, as a result will follow a given course. Nothing could be further from the facts.

At best, from the standpoint of the Secretary, he can only operate on a "cut and try" basis. Desiring a given end he can take this or that step in regard to the quota, but he is obliged to await the reception and reaction of the countless sellers and buyers in sugar producing areas and the nation as a whole. He is obliged also to deal with seasons of peak sugar production and poor consumption. He knows that in an immense country such as ours, with a great volume of the commodity in trade *over a 12 month period*, there are many factors, other than the quota itself, which make the market and the trend. Hence if on his first cut and try, the price he desires, up or down, is not reached, he cuts and tries again. This makes for fluctuations. It may well be said that the Secretary proposes and the trade, affected by many factors, disposes.

Many Fluctuations in 1948

As to the possible scope of such fluctuations we have only to look at the 1948 record. In February, 1948, the price of raw sugar duty paid basis at New York was 5.60¢ per pound. In May, the price was 5.00c per pound. This represents a difference of 60c per 100 pounds. From that low point in May, the market advanced to a high in August of 5.80c—an advance of 80c per hundred pounds. And, mind you, this was under the quota system. The Secretary was merely cutting and trying. But the record shows that those selling and buying had their individual problems, attitudes and reactions.

No one knows until December, in any given year, what quota determination the Secretary of Agriculture will make for the ensuing year. The Secretary, in fixing the sugar quota, is charged by the Congress to arrive at two important objectives, (a) to maintain and protect the domestic sugar industry, and (b) to provide a supply of sugar at prices not excessive to consumers. But the Secretary once having determined what he thinks the price should be, has no scientific, shatter-proof formula by which he may fix a quota that will bring about the exact price that he has in mind, high or low.

The Secretary has no way of knowing what interpretation the many buyers and sellers will put upon his pronouncements. This was indicated last year when the Secretary came to the conclusion that an estimate of consumption of 7,800,000 tons would bring about a price that would be satisfactory to all concerned and meet the responsibilities placed on him by Congress. The market plummeted down and he cut the quota to 7,500,000 tons. Presumably, he thought that that quota would check the decline in price. But it did not. Then he reduced the quota to 7,000.000 tons and the market reversed itself. This one illustration shows how ridiculous it is for anyone to say that if they know what the Secretary's intentions are they can tell what the price will be.

In a nation where the consumption of sugar runs over 7,000,000 tons, with millions of housewives and a great number of industrial users, and with the price affected by financial matters, physical storage problems, the trend in business, the state of mind of the country in general, and of the sugar producer and the processor in particular, as well as by a host of other conditions—I say with all this group of forces operating, it is obviously fatuous for anyone to think that the quota, in itself, or the government's announced or implied intention, is a kind of crystal ball which will indicate the trend in the market. *The price of a commodity, whether we have the law of supply and demand functioning freely or whether we have government control such as exists on sugar, is influenced by men's interpretations and evaluations of all of the facts—not just one fact.*

Secretary Cannot Control Competition

Also, it may well be said that although the Secretary has the power to name quotas, he cannot make people accept his acts or his intentions as being final and conclusive. We have the old story that you can lead a horse to water, but you can't make him drink. For example, the Secretary's quota may be considered a bullish one, but intense competitive conditions in a given area may vitiate the effectiveness of the quota. This has occurred not once but many times in the raw sugar, beet sugar and cane refined fields.

Then, too, it must be remembered that generally the sugar refiner and the sugar producer are engaged in a running battle in the purchase and sale of raw sugar. The sugar refiner naturally must be a keen horse trader in the purchase of raw sugar and will not pay a higher price than is necessary for the commodity which he melts and refines. Even if he is optimistic on the market, he will do everything in his power to obtain his sugar as cheaply as possible through feigned indifference, delaying tactics, and the like. To illustrate, I would judge that today the raw sugar buyers of a number of refiners believe that the chances favor a higher price for raw sugar later on. They are not, however, rushing in today to buy in a substantial way their important forward needs because they think that, by holding off as long as possible, especially during the period of heavy production in Cuba and Puerto Rico, they will be able to acquire a big line of raws at a lower figure. Certainly, it is obvious they will never do anything to aid and abet the seller.

Then, again, there are times, as at present, when the seller himself believes prices will go up, but he finds it inconvenient to wait until such time as that happens—especially because on a substantial proportion of his production he has storage and finance problems. I merely mention a few of these situations to point out the fact that the mere naming of a quota does not tell the whole story and that one really to understand the sugar market must follow intimately conditions in all areas.

Another point I would like to make is that although in theory, under the Sugar Act of 1948, the United States market is completely divorced from the world market, yet this is not actually the case. We receive a part of our sugar from Cuba. Cuba also sells a large part of her production in the world market. If and when it is thought that Cuba will have a surplus which will not be digested in the world market, and that this promises to leave Cuba at the end of a year with a large carryover, the psychological effect will be to make buyers in the United States market wary. And such a condition would put the Cuban producer under more pressure to sell his United States quota hurriedly for financial and storage reasons, even though he is assured of this quota as representing a real home for his sugar.

The reason I have discussed at some length this matter of market fluctuations under the quota system is in order that you may be on guard against those who have only a superficial knowledge of sugar and the inability to learn about, understand, interpret and evaluate the many factors at work in this vast sugar arena.

Importance of Reallocations

Now I observe that many do not properly understand the full significance and importance of quota deficiencies and reallocations, and I will briefly touch on that. The Secretary of Agriculture announced a quota in December of 7,250,000 tons for 1949 Time does not permit me to go into a full discussion of the details, but, in effect, I can say to you that, of those sugar producing areas that are entitled to their segment of the total quota, certain areas will not be able in 1949 to supply their portion in full Consequently, until the Secretary of Agriculture reallocates the deficiencies in such areas, it means that there are not actually 7,250,000 tons available for marketing.

For example, the Philippines represent one of the areas where a deficiency will occur in 1949 We estimate that of its quota of 982,000 tons it will be unable to ship in the neighborhood of 300,000 tons. So far the Secretary has taken action to reallocate only 125,000 tons of this apparent deficiency. Assuming our estimate of 300,000 tons to be correct, the full quota of 7,250,000 tons cannot be realized unless and until an additional 175,000 tons from the Philippine quota is reallocated to another area able to supply the deficiency. That means that that much sugar cannot be offered on the market for the time being, at least. This creates a potentially strong market factor.

In the case of the beet sugar industry, we estimate that it will not fill its quota of 1,800,000 tons this year by about 250,000 tons. But the present overall quota for the United States of 7,250,000 tons contains 1,800,000 tons as being marketable by the beet industry. To the degree that there is a deficiency in the beet area, and assuming no reallocation of it by the Secretary until late in the year, to that degree *at least* the Secretary's overall quota will be less than 7,250,000 tons until such time as the Secretary does something about the matter.

I could list other areas, but suffice to say that the amount of sugar available for the market in the United States in 1949 is so far *not* 7,250,000 tons, but something in the neighborhood of 6,700,000 tons. Therefore, we have the simple fact that with 1948 distribution estimated by the government at 7,341,000 tons, with probable distribution in 1949 of 7,500,000 tons, there is, *at the moment*, available to satisfy that demand only 6,700,000 tons. *There is strong leverage here marketwise.* If the Secretary of Agriculture delays for an extended period the reallocating of deficiencies, the market will accumulate strength which will be expressed by a price advance in raw sugar.

The Trend?

With this governmentally bullish situation—current availables at 6,700,000 tons versus a potential demand of 7,500,000 tons—it is natural for one to ask why the raw sugar market has turned sluggish. Chiefly, there are two reasons for this condition and they illustrate the fact that the government's intentions are not the only market factor—(a) we are now approaching the height of the new crop production season in Cuba and Puerto Rico, and (b) the winter is a period of relatively slow consumption of sugar.

Raw sugar production during February, March and April will be extremely heavy. The producer of raw sugar has physical and financial problems that he cannot ignore even though he believes that the price of sugar will go higher later on. He must keep reasonably liquid financially. He cannot store, where produced, an unlimited amount of sugar.

On the other hand, refined sugar distribution so far this year has been excellent, considering the season. I anticipate a materially higher distribution for the first four months of this year as compared with the same period in 1948. And, of course as we get into the spring and summer the sugar movement will quicken seasonably and relieve the burden on producers' shoulders.

Further, it should be observed that the refiners have still to purchase a very large line of raw sugar for their melts in March and April and beyond. Also, I think the prospect is good that the United States Army will purchase in the relatively near future a substantial block of sugar from Cuba for the feeding of people in the occupied areas abroad. Weighing all of the pros and cons in the sugar situation, I can only come to the conclusion that the basic trend of sugar prices for the first half of this year will be upward. I believe that refined sugar booked on the Jan. 3 move at 7.75c basis for cane is excellent property and that we will witness higher values for raw sugar and sugar futures as the season progresses.

Trusts Providing Large Market Cushion

(Continued from page 2)

United States Steel was easily the favorite of the group, seven different managements purchasing a total of 19,600 shares; of these, three were new commitments, one of course being with the Seligman units.

The next major industry producer in size, Bethlehem, also followed as second choice in popularity. Six managements bought a total of 20,000 shares and two of these made new commitments. Although 11 trust increased their holdings of Republic and nine those of National, many of these additions resulted from a 2½% stock dividend on shares of the first company and a 10% equity distribution on the latter. Actual additions based on management initiative accounted for five purchases of Republic and a like amount of National. Four other funds sold 19,900 shares of Republic, three of these eliminating the stock from their portfolios. Three trusts also purchased Youngstown Sheet and Tube, one of these making a new commitment. Interest continued to be evinced in Sharon Steel, one management adding to holdings while another made a new acquisition. Inland and Armco Steel were each sold by three funds and found no purchasers.

American Tobacco was restored to its former position as a favorite investment blue chip as nine managements purchased a total of 22,310 shares. Three of these lots were new acquisitions. Ligget & Myers was also well liked by four funds, one of these making an entirely new commitment. Two new acquisitions were also made of stock in Philip Morris; another lot was added to shares already held. Opinion was fairly well divided on Reynolds, four trusts making purchases while three others lightened their holdings.

Enthusiasm for GE

General Electric was the only electrical equipment issue for which there was any real enthusiasm. Eight managements purchased a total of 15,300 shares and four of these lots represented new acquisitions. Contrasted with such marked favor was the mixture of opinion on Westinghouse Electric. Although six trusts bought 34,900 sares, there were five sellers and two of these eliminated the stock from their portfolios. Master and McGraw Electric were also each sold by two managements. Philco declared a 7% stock dividend, but in addition two managements purchased more shares, while a third made a new commitment. The general market interest in television stocks found little reflection in management operations. An interesting exception was the purchase by National Investors during December of 5,000 shares of the Magnavox Company. Since National has had one of the best long-term records for a fund specializing in so-called growth stocks this commitment is of particular interest.

The two large can manufacturers found many purchasers and only two managements sold a total of 625 shares of Continental. 28,200 shares of this company were brought by six trusts and two of these were new acquisitions. Five funds bought American and two of these also were original commitments. Among the various types of manufacturers of glass products, containers and others, Owens-Illinois and Corning each found favor with three managements.

Some of the merchandise issues were well liked. Although certain types of companies in this group are generally considered good recession-proof storm cellars, the industry generally has been traveling on such a high plateau and the break-even point, just as in many manufacturing concerns, has risen to such an extent, that profits may decrease very readily. Nevertheless, six managers bought 9,300 shares of Montgomery Ward which is already one of the most widely held issues among the investment companies. Four trusts also purchased Sears Roebuck and the same number of funds added 8,600 shares of Penney. Two companies bought Federated Department Store which has been a continuous favorite in this group. Two other managements nibbled on a few hundred shares of Macy. Bond Stores was the only issue in the merchandise category which found pronounced disfavor, three trusts selling a total of 27,000 shares; two of these lots represented complete eliminations from portfolios.

Buying of C. I. T.

Transactions were scattered in the financial and insurance securities. The one exception was the purchase of 22,700 shares of C.I.T. Financial by five funds; one of these represented a new commitment. State Street Investment Corp., however, sold 13,400 shares of this finance company and made a new acquisition of 600 shares of Commercial Credit. It still holds 1,700 shares of C. I. T. Interest shown in insurance stocks during the early part of the year has fallen off considerably. Two trusts purchased 550 shares of Phoenix Insurance. There were individual purchases of Great American and North River and several single sales of other fire companies. What the trusts think of each other is often an interesting speculation. Opinion was divided on Tri-Continental, but two managements sold 6,000 shares of the Chicago Corp. Another exceptional transaction was the complete elimination from the portfolios of both Adams Express and its controlled American International Corporation of stock in American Research and Development Corp, which was originally set up largely with capital supplied by investment companies.

Chemicals Mildly Favored

Chemicals were favored during the period but there was no stampede to acquire companies in this industry. Mathieson Chemical was the most popular issue in the group, five trusts purchasing 7,500 shares; three lots were new acquisitions. Dupont was also well liked by four managements and while some of the increase in Dow holdings resulted from the 2½% stock dividend, three managements made purchases in the market. Three funds also brought 5,300 shares of American Cyanamid. There were additions to ten portfolios of shares of Texas Gulf Sulphur distributed as a dividend on holdings of Gulf Oil. Selling was concentrated on Union Carbide and four trusts decreased their investment in this company.

Buying was widely dispersed and light among auto equipment manufacturers. Electric Auto-Lite, Briggs and Stratton and Timken Detroit Axle each found a few purchasers. Major interest was concentrated in Thompson Product on which opinion was fairly well divided between three purchasers and a like number of sellers. Buyers were represented by Loomis-Sayles, Delaware Fund and Investors Mutual while those making sales were Adams and American International, several companies in the Seligman group and Fundamental Investors. 11,400 shares of General Motors were added to six portfolios; on the

Balance Between Cash and Investments of 58 Investment Companies

End of Quarterly Periods September and December, 1948

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	7,097	7,549	21.6	23.2	14.3	15.2	64.1	61.6
Axe-Houghton Fund	748	907	9.1	11.4	3.2	2.9	87.6	85.7
Axe-Houghton "B"	475	403	25.1	19.8	10.6	6.0	64.3	74.2
Commonwealth Investment	408	315	8.0	5.8	21.2	22.7	70.8	71.5
Eaton & Howard Balanced	3,717	4,010	10.4	10.8	22.8	25.3	66.8	63.9
¶Fully Administered Shares	803	681	16.4	18.0	8.6	17.9	75.0	64.1
General Investors Trust	233	193	12.0	10.6	7.6	7.9	80.4	81.5
Investors Mutual	6,857	6,551	5.7	5.2	34.0	33.0	60.3	61.8
Johnston Mutual Fund	75	81	21.7	22.2	16.6	17.0	61.7	60.8
National Securities—Income	373	477	3.1	4.0	15.3	15.5	81.6	80.5
Nation-Wide Securities	705	442	5.9	4.0	29.7	31.4	64.4	64.6
Nesbett Fund	41	24	10.2	5.9	18.7	20.1	71.1	74.0
George Putnam Fund	6,141	4,877	23.7	18.3	8.4	17.7	67.9	64.0
Russell Berg Fund	372	448	27.9	34.3	13.3	15.1	58.8	50.6
Scudder Stevens & Clark	†	3,235	†	13.3	†	25.8	†	60.9
Wellington Fund	9,677	8,316	16.5	13.0	28.4	28.6	55.1	58.4
Whitehall Fund	32	45	6.3	6.8	42.7	43.9	51.0	49.3
Wisconsin Investment Co.	417	518	23.3	30.8	4.0	1.1	72.7	68.1
Open-End Stock Funds:								
Affiliated Fund	2,234	4,912	3.1	6.5	None	None	96.9	93.5
Bowling Green Fund	173	169	29.8	30.7	None	None	70.2	69.3
Broad Street Investing	708	566	7.6	6.0	5.7	5.5	86.7	88.5
Bullock Fund	193	286	3.3	5.0	None	None	96.7	95.0
Delaware Fund	33	125	2.6	8.9	6.2	2.7	91.2	88.4
Dividend Shares	5,790	6,273	9.7	10.5	None	None	90.3	89.5
Eaton & Howard Stock	98	137	4.9	6.7	4.3	9.7	90.8	83.6
Fidelity Fund	1,008	2,637	5.5	13.7	None	None	94.5	86.3
First Mutual Trust Fund	103	81	3.0	2.5	12.5	13.1	84.5	84.4
Fundamental Investors	1,360	1,771	4.3	5.5	None	None	95.7	94.5
General Capital Corp.	494	740	5.1	7.9	1.1	1.0	93.8	91.1
Incorporated Investors	3,026	2,670	4.5	4.3	None	None	95.5	95.7
Institutional Shares Stock & Bond Gr.	91	201	4.1	9.3	None	None	95.9	90.7
Investment Co. of America	1,219	1,122	22.5	20.8	None	None	77.5	79.2
Investors Management Fund	270	527	2.8	5.8	None	None	97.2	94.2
Knickerbocker Fund	167	204	2.1	2.6	None	None	97.9	97.4
Loomis-Sayles Mutual Fund	1,063	1,321	22.5	27.5	3.0	2.5	74.5	70.0
Loomis-Sayles Second Fund	1,718	1,921	21.0	24.0	4.0	3.0	75.0	73.0
Massachusetts Investors Trust	8,604	7,841	4.1	3.8	None	None	95.9	96.2
Mutual Investment Fund	15	123	2.2	20.2	4.3	17.9	93.5	61.9
National Investors	652	405	4.0	2.6	None	None	96.0	97.4
New England Fund	521	491	18.7	17.9	3.9	4.0	77.4	78.1
Republic Investors	133	121	10.7	8.9	None	None	39.3	91.1
Selected American Shares	757	1,566	5.0	10.7	None	None	95.0	89.3
Sovereign Investors	5	14	1.2	3.4	9.8	12.5	89.0	84.1
State Street Investment Corp.	11,054	9,743	17.1	15.3	None	None	82.9	84.7
§Wall Street Investing Corp.	254	237	24.3	21.3	None	None	75.7	78.7
Closed-End Companies:								
Adams Express	7,556	6,817	19.0	17.8	None	None	81.0	82.2
American European Securities	1,769	1,206	28.7	15.2	15.7	8.4	55.6	76.4
American International	4,017	3,635	22.3	20.7	None	None	77.7	79.3
Blue Ridge Corp.	7,714	6,248	25.3	21.7	2.4	2.9	72.3	75.4
§Capital Administration	576	426	7.9	7.6	9.7	9.9	82.4	84.1
General American Investors	8,939	7,215	24.0	20.7	0.4	0.5	75.6	78.8
General Public Service	477	494	10.6	11.7	None	None	89.4	88.3
Lehman Corporation	18,104	19,553	20.0	21.5	1.5	1.5	78.5	77.0
National Shares Corp.	2,051	2,306	21.5	25.5	5.9	6.8	72.6	67.7
§Selected Industries	1,690	1,839	3.9	4.3	16.4	13.6	79.7	82.1
§Tri-Continental Corp.	2,957	3,325	4.6	5.2	11.6	12.3	83.8	82.5
‡U. S. & Foreign Securities	1,886	1,354	5.6	4.2	None	None	94.4	95.8
U. S. & International Securities	2,711	2,843	7.5	7.9	None	None	92.5	92.1

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡Portfolio exclusive of securities in subsidiary or associated companies. §September quarterly figures revised. ¶A class of Group Securities.

SUMMARY

Changes in Cash Position of 58 Investment Companies

	Plus	Minus	Unchanged	Totals
Balanced Funds	8	8	2	18
Stock Funds	16	6	5	27
Closed-End Companies	4	7	2	13
All Companies	28	21	9	58

other hand Chrysler was decreased in the same number of trusts. Half that number of funds purchased the latter auto manufacturer.

United Aircraft was easily the favorite among plane manufacturers. Six trusts purchased a total of 28,900 shares and only two others sold very small lots. Three funds also bought North American Aviation which has been a popular issue throughout the last-half of the year. Boeing was also purchased, but Douglas was eliminated from one portfolio and lightened in another. During the second-quarter of the year it had been one of the best liked stocks in the group. Among transportation companies, Eastern was the only carrier to find favor. Five trusts purchased a total of 8,400 shares.

There were a large number of purchases in building stocks spread out over a wide list. These were balanced by many individual sales. Flintkote and Johns-Manville were the favorites, each finding favor with four managements. Three cement issues—Alpha Portland, General Portland and Lone Star—were also well liked. 2,400 shares of Sherwin Williams were added to three portfolios. American Radiator bore the brunt of concentrated selling as seven funds disposed of 22,100 shares.

Activity was not very pronounced among the beverage issues. Three managements finally cleaned out the last of their holdings of Pepsi-Cola, while two also eliminated shares of Nehi Corporation. Among the alcoholics, National Distillers and Distillers Seagrams were each lightened in two portfolios. Those transactions which occurred in stocks of paper companies were also concentrated in the selling of a few companies. Five trusts sold 7,900 shares of International Paper while the same number of funds decreased holdings of Rayonier.

If additions resulting from stock dividends, particularly among the Standard Oil group, are excluded, purchases and sales of the petroleum stocks were about balanced. Selling transactions totaled 84 as against 60 in the third-quarter of the year. Phillips continued to be a prime favorite, nine managements purchasing 15,125 shares; but selling increased in this issue and five trusts sold 10,900. Gulf, which had been favored throughout the earlier part of the

(Continued on page 36)

FOOTNOTES FOR COMPANION TABLE

1 In part, represents 2% dividend in own stock.

2 2,262 shares declared as 2½% stock dividend.

3 Includes stock dividend on holdings of Gulf Oil.

4 7% stock dividend represented by 1,817 of shares.

5 Dividend on Mission Corp.

6 3,845 shares from 5% stock dividend.

7 Major additions from dividends declared in own stock.

8 2% stock dividend.

9 33⅓% stock dividend.

10 In part, dividend of 2 shares for each 100 held of United Light & Rys.

11 248 shares represent stock dividend.

12 In part, purchased through rights.

13 Received for most part as dividend from Public Service of Indiana.

14 Distribution on American Light and Traction.

15 In exchange for Northern States Power of Delaware "A."

16 Major percentage from stock split and liquidating dividend on Midwest Corp.

17 In part resulting from 25% stock dividend.

18 2,330 shares represent 10% stock dividend on amounts previously held.

19 In part, represents 2½% stock dividend.

20 1,425 shares declared as 5% stock dividend.

21 Includes 5% stock dividend in company's own shares.

NOTE—This survey covers 60 trusts but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. First York Corp. and Overseas Securities are included in addition to companies shown on the opposite page.

Changes in Common Stock Holdings of 44 Investment Management Groups (September 30-December 31, 1948)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals in parentheses indicate number of managements making entirely new purchases of an issue, or completely eliminating the stock from their portfolios.

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
		Agricultural Equipment:		
2	1,200	Caterpillar Tractor	None	None
3(1)	9,900	International Harvester	600	1
		Auto & Auto Parts:		
2	1,300	Briggs & Stratton	None	None
3	300	Clark Equipment	None	None
3	3,100	Electric Auto-Lite	6,700	1(1)
6(1)	11,400	General Motors	5,800	1
2	300	Timken Detroit Axle	None	None
2	*1,100*	*Borg Warner*	*5,100*	*5(2)*
3(2)	*12,400*	*Chrysler*	*9,200*	*6(2)*
None	*None*	*Collins and Aikman*	*4,500*	*2*
		Aviation:		
2	1,400	American Overseas Airlines	None	None
4(1)	5,700	Bendix Aviation	1,000	1
3	900	Boeing Airplane	None	None
5(1)	8,400	Eastern Airlines	4,500	1
3	8,100	North American Aviation	1,000	1(1)
6	28,900	United Aircraft	500	2
None	*None*	*Douglas Aircraft*	*1,800*	*2(1)*
None	*None*	*Northwest Airlines*	*2,800*	*3(2)*
		Beverages:		
3(1)	4,500	Coca-Cola	200	1
2(1)	3,100	Schenley Industries	None	None
None	*None*	*Distillers Corp.-Seagrams*	*3,500*	*2*
None	*None*	*National Distillers*	*16,200*	*2*
None	*None*	*Nehi Corporation*	*3,700*	*2(2)*
None	*None*	*Pepsi-Cola*	*22,400*	*3(3)*
		Building Construction & Equipment:		
2(1)	14,000	Alpha Portland Cement	None	None
2	2,200	Armstrong Cork	None	None
4(1)	7,450	Flintkote	1,000	2
3(1)	15,600	General Portland Cement	None	None
4(1)	12,900	Johns-Manville	8,300	2(1)
3(2)	4,800	Lone Star Cement	2,000	1(1)
3(2)	2,400	Sherwin Williams	3,000	1(1)
6(1)	3,890	United States Plywood[1]	4,168	2(2)
5	*25,200*	*American Radiator*	*22,100*	*7(1)*
None	*None*	*Simmons Company*	*2,500*	*2*
3	*3,500*	*United States Gypsum*	*4,000*	*5(4)*
		Chemicals:		
3(1)	1,500	American Cyanamid	2,500	1
9(1)	6,492	Dow Chemical[2]	None	None
4(2)	1,100	DuPont	300	1
3(1)	6,100	Hercules Powder	2,900	1
5(3)	7,500	Mathieson Chemical Corp.	None	None
2	200	National Cylinder Gas	None	None
10(9)	7,262	Texas Gulf Sulphur[3]	1,112	3(3)
2	2,500	Victor Chemical Works	None	None
None	*None*	*Interchemical Corp.*	*7,000*	*2(2)*
1	*1,500*	*Union Carbide*	*2,200*	*4(1)*
		Containers & Glass:		
5(2)	6,300	American Can	None	None
6(2)	28,200	Continental Can	None	None
3	1,400	Corning Glass Works	None	None
3(2)	3,500	Owens-Illinois Glass	None	None
		Drug Products:		
2(1)	3,500	American Home Products	None	None
2(1)	1,500	Colgate-Palmolive-Peet	None	None
		Electrical Equipment:		
8(4)	15,300	General Electric	3,400	3
5(1)	5,002	Philco Corp.[4]	3,900	3
None	*None*	*Master Electric*	*3,900*	*2*
None	*None*	*McGraw Electric*	*1,500*	*2*
		Financial, Banking and Insurance:		
3	3,400	Amerex Holding	None	None
2	3,100	Associates Investment Co.	None	None
5(1)	22,700	C. I. T. Financial	13,600	2(1)
2(1)	550	Phoenix Insurance	None	None
None	*None*	*Chicago Corporation*	*6,000*	*2(1)*
		Food Products:		
2(2)	2,200	American Chicle	None	None
4(4)	15,300	National Biscuit	500	1
2(1)	1,800	Wrigley	None	None
None	*None*	*General Mills*	*600*	*2(2)*
None	*None*	*United Fruit*	*1,300*	*2(1)*
		Machinery and Industrial Equipment:		
2(2)	2,625	Bucyrus-Erie	None	None
3	2,655	Fairbanks Morse	None	None
2(1)	1,500	Worthington Pump	None	None
1	*500*	*Allis Chalmers*	*1,900*	*3(1)*
None	*None*	*American Machine & Foundry*	*6,500*	*3(1)*
None	*None*	*United Engineering & Foundry*	*3,900*	*3(1)*
		Metals and Mining:		
8(2)	20,300	Aluminum Co. of America	1,700	3(2)
2(2)	5,100	American Metals	None	None
2(2)	9,100	Climax Molybdenum	None	None
2	1,500	Dome Mines	None	None
3(1)	4,000	Homestake Mining	200	1
6(1)	39,500	International Nickel	1,900	2(1)
9(2)	9,200	Kennecott Copper	3,400	4(1)
3(1)	2,500	Newmont Mining Corp.	None	None
3(1)	14,300	St. Joseph Lead	None	None
None	*None*	*Hudson Bay Mining & Smelting*	*1,900*	*2(1)*
4	*11,800*	*Phelps Dodge*	*3,700*	*6(1)*
		Paper and Printing:		
2	600	Kimberly-Clark	None	None
2	1,550	Shellmar Products	None	None
1	*4,100*	*International Paper*	*7,900*	*5(1)*
1	*300*	*Rayonier*	*2,100*	*5(1)*

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
		Petroleum and Natural Gas:		
3(1)	3,100	Amerada Petroleum	1,000	1
2(1)	6,000	Anderson-Prichard Oil	36.3	1
7(3)	70,500	Columbia Gas System	None	None
2(1)	1,000	Consolidated Natural Gas	None	None
4(1)	8,825	Continental Oil	2,800	2(1)
2(2)	17,200	Mission Corp.	None	None
6(6)	9,766⅓	Mission Development Co.[5]	None	None
5(3)	14,000	Northern Natural Gas	None	None
9(1)	15,125	Phillips Petroleum	10,900	5(1)
2	800	Shamrock Oil and Gas	None	None
13(1)	4,345	Standard Oil of California[6]	850	3(1)
18(1)	6,908	Standard Oil of New Jersey[7]	14,841	11(1)
6	4,938	Standard Oil of Ohio[8]	22,000	3(2)
4	12,899	Tennessee Gas Transmission[9]	5,900	2(2)
2(2)	94,000	Transcontinental Gas Pipe Line	None	None
None	*None*	*Barnsdall Oil*	*15,100*	*4(4)*
None	*None*	*International Petroleum, Ltd.*	*4,240*	*2(2)*
None	*None*	*Louisiana Land & Exploration*	*4,500*	*3(1)*
3(1)	*13,300*	*Socony Vacuum*	*49,600*	*5(3)*
3	*2,250*	*Texas Co.*	*13,658*	*6(1)*
None	*None*	*Warren Petroleum*	*1,200*	*2*
		Public Utilities:		
10(3)	23,890	American Light & Traction[10]	180	2(2)
2	15,300	Brooklyn Union Gas	None	None
3(2)	15,248⅓	Carolina Power & Light[11]	198⅓	1(1)
9	39,100	Central & Southwest Corp.[12]	41,370	2
4(1)	51,600	Commonwealth & Southern	None	None
3	10,000	General Public Utilities Corp.	2,000	1(1)
4(2)	19,100	Illinois Power Co.	10,000	2(1)
4	2,050	Indiana Gas and Water[13]	None	None
9(9)	7,635	Madison Gas & Electric[14]	None	None
7(7)	365,862	Northern States Power, Minn.[15]	None	None
3(2)	28,900	Public Service of Colorado	None	None
9(3)	129,153	Public Service of Indiana[16]	None	None
2(1)	1,300	Southern California Edison	None	None
6(3)	28,287	Virginia Electric & Power[17]	6,500	4(1)
6(2)	78,786	Wisconsin Electric Power	6,450	2(1)
1(1)	*8,500*	*Cleveland Electric Illuminating*	*28,200*	*3(2)*
None	*None*	*Commonwealth Edison*	*33,500*	*4(3)*
None	*None*	*Detroit Edison*	*1,638*	*6(6)*
1(1)	*15,000*	*Electric Bond & Share*	*20,600*	*3*
None	*None*	*International Tel. and Tel.*	*26,000*	*2(1)*
None	*None*	*Pacific Gas and Electric*	*3,399*	*11(11)*
None	*None*	*Potomac Electric Power*	*42,300*	*5(4)*
		Radio and Amusement:		
None	*None*	*General Precision Equipment*	*15,200*	*2(1)*
1	*2,500*	*Loew's*	*39,200*	*4(2)*
3(1)	*2,000*	*Paramount Pictures*	*6,750*	*5(4)*
		Railroads:		
3(1)	5,677	Chicago Rock Island & Pacific	None	None
4(1)	*2,300*	*Atchison Topeka & Santa Fe*	*4,700*	*6(3)*
None	*None*	*Atlantic Coast Line*	*1,100*	*2*
None	*None*	*Erie Railroad*	*2,300*	*2(1)*
None	*None*	*Norfolk and Western*	*4,900*	*2*
1(1)	*17,200*	*Pennsylvania Railroad*	*4,000*	*4(2)*
3(1)	*4,400*	*Southern Pacific*	*16,700*	*7(3)*
1(1)	*400*	*Union Pacific*	*5,300*	*3(1)*
		Railroad Equipment:		
3	5,200	American Locomotive	1,400	1
3	5,900	General Amer. Transportation	None	None
5	5,500	Superheater	900	1
None	*None*	*American Steel Foundries*	*2,200*	*2(2)*
None	*None*	*General Railway Signal*	*4,400*	*2(1)*
None	*None*	*Pullman*	*5,700*	*2(1)*
		Retail Trade:		
2(1)	4,300	Federated Department Stores	None	None
2	600	Macy	None	None
6	9,300	Montgomery Ward	4,000	2
4(1)	8,600	Penney	None	None
4(1)	7,600	Sears Roebuck	3,000	1
1	*300*	*Bond Stores*	*27,000*	*3(2)*
		Rubber and Tires:		
1	*1,000*	*Firestone*	*1,800*	*3(2)*
1	*1,000*	*United States Rubber*	*4,100*	*3(2)*
		Steels:		
2	400	Allegheny Ludlum	None	None
6(3)	20,000	Bethlehem Steel	5,100	4(1)
9(2)	14,530	National Steel[18]	500	3(1)
11(3)	22,820	Republic Steel[19]	19,900	4(3)
2(1)	2,500	Sharon Steel	None	None
7(3)	19,600	United States Steel	700	2(2)
3(1)	6,100	Youngstown Sheet & Tube	4,900	1
None	*None*	*Armco Steel Corp.*	*2,000*	*3*
1(1)	*800*	*Inland Steel*	*7,900*	*3(2)*
		Textiles:		
5(2)	4,600	Celanese Corp.	3,500	3
3	2,150	Colonial Mills[20]	800	1
4	1,570	Industrial Rayon[21]	650	1
2(1)	*4,200*	*American Viscose*	*1,600*	*4*
None	*None*	*Cluett Peabody*	*1,900*	*2(1)*
		Tobaccos:		
9(3)	22,310	American Tobacco	1,400	2(1)
4(1)	5,700	Liggett and Myers	200	1
3(2)	9,900	Philip Morris	None	None
		Miscellaneous:		
2(1)	4,500	General Shoe Corp.	None	None
None	*None*	*Greyhound Corp.*	*2,500*	*2(1)*

SUMMARY

Balance Purchases and Sales Portfolio Securities—60 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Totals
Balanced Funds	11	5	2	18
Stock Funds	8	13	6	27
Closed-End Companies	1	10	4	15
All Companies	20	28	12	60

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Recent market cracks have exposed, and not healed, a bad condition. Rallies are expected, though not to follow —to sell.

There are all sorts of explanations for the break of last week. In fact explanations are more plentiful than stocks you can lose your money on.

* * *

The most popular "reason" for the turnabout is the action of commodities, and that holders dumped their stocks to protect them. I wish I could give a reason I myself could believe. But all I can think of is something somebody has already thought of before, and has couched it in more elegant terms than I.

* * *

In last week's column, written Tuesday (they're all written on Tuesday) I said that a market which won't go up on good news will go down on bad. I also indicated that the Steel split might be the beginning of major distribution.

* * *

I had no idea things would develop so fast. This emphasizes the fact that timing is frequently more important than picking them. It also points some kind of a moral that once things start to cloud up, all the so-called fundamentals can be thrown into the basket. It becomes another "take to the hills men" kind of a situation.

* * *

This should be a good time for me to give out with platitudes about values, earnings, yields and trends; "Don't sell America short," or "Business is sound," or something equally appropriate calculated to appeal to anybody's patriotism.

* * *

Unfortunately the stock market isn't interested in chest poundings or flag wavings. It evaluates everything in terms of dollars and cents and anybody who lets his heart run away with his head will have trouble explaining it to his landlord, grocer and milkman.

* * *

All this boils down to the fact that one break, or even a series of breaks, doesn't mean no more of the same. To do that a market has to simmer down, go dead and tire out a lot of people. This doesn't happen overnight. It may take weeks or months. It doesn't, however, preclude the possibility of a strong rally in the interim. In fact a severe break usually brings about a compensating rally. It is on just such a rally that the initiates dispose of long positions, rather than add to them.

* * *

A few weeks ago I recommended three stocks: Cooper Bessemer 27-28, stop 25; United Carbon 36-37, stop 34, and U. S. & Foreign 21-22, stop 19. The first, Cooper, and the last, U. S. & Foreign, have so far held above their stops; United Carbon broke it. Suggestion is holding on to stocks, still above their stops, with intention of selling them on a subsequent rally.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Trusts Providing Large Market Cushion

(Continued from page 35)

year was losing ground as four sellers matched five buyers. If additions resulting from stock distributions are excluded, the 11 funds selling 14,841 shares of Standard of Jersey outweighed purchasers of this issue. Among the petroleum companies still being bought on balance were Continental by four managements, Amerada by three, and Anderson-Prichard and Shamrock Oil and Gas, each by two. Brunt of the selling fell on Socony Vacuum and Texas. Five managements sold 49,600 of the former and six unloaded 13,658 shares of the latter company. Four trusts also completely eliminated Barnsdall, possibly taking advantage of the recent offer by Atlas Corp. But not all managements saw fit to dispose of oil issues. For example, although American European eliminated 1,200 shares of Creole during the quarter and the two Loomis-Sayles funds disposed of their holdings of 5,000 shares in the previous September quarterly period, State Street retained their block of 50,700 shares which on Dec. 31st was valued at over $2 million. In view of the heavy commitments in oil securities, the industry's position is of particular interest.

Natural gas producers and distributors continued to be looked upon with favor. Seven trusts purchased Columbia Gas which is sometimes included in the utility group. Northern Natural Gas was added to holdings in two portfolios and introduced for the first time into three others. Two managements purchased shares of Consolidated Natural Gas and a 33⅓% stock dividend was declared on holdings of Tennessee Gas Transmission. An interesting group of purchases was the investment of one million dollars by three trusts in the Transcontinental Pipe Line which is being built to transport the product from the Gulf Coast area in Texas to New York City. These three funds were U. S. and Foreign Securities, its affiliate, U. S. and International, and the General Public Service Corp.

Excluding numerous stock dividends from reorganization and simplification situations, utility purchases were concentrated in Commonwealth and Southern, Illinois Power, Central and Southwest Corporation (part of which was bought through rights) and Public Service of Colorado. Brooklyn Union Gas also continued to be purchased by two funds which made initial commitments in the previous quarter. Selling was concentrated on Commonwealth Edison, Cleveland Electric Illuminating, Electric Bond and Share and International Telephone and Telegraph.

Rails' Shortlived Honeymoon

The rails which during the September quarter enjoyed a spurt of popularity among the managers experienced only a short honeymoon. The switch in sentiment has been one of the most pronounced in such a limited period during the last several years. Southern Pacific was sold by seven managements to the tune of 16,700 shares. Atchison was lightened in three portfolios and eliminated from three others. Pennsylvania also was removed from two portfolios and decreased in two more. One Boston Fund, however, made a new commitment with a block of 17,200 shares. Union Pacific, Coast Line, Norfolk and Western and Erie were also disposed of by two or more trusts.

The amusement shares, however, had had no temporary honeymoon and were merely continuing their unpopularity with trust managements. Five trusts sold 6,750 shares of Paramount and four of these completely eliminated the company from their portfolios. Thirty-nine thousand two hundred shares of Loew's were dumped by four other funds, and 15,200 shares of General Precision Equipment, which supplies the industry were also turned into cash.

Halsey, Stuart Offers Atl. Coast Line Equips.

An underwriting group headed by Halsey, Stuart & Co. Inc. on Feb. 7 won the award of $10,665,000 Atlantic Coast Line RR. 2½% equipment trust certificates, series J, due $711,000 annually March 1 1950 to 1964, inclusive. The certificates were re-offered Feb. 8 by the group, subject to ICC authorization, at prices to yield 1.45% to 2.80%, according to maturity.

Other members of the offering group were R. W. Pressprich & Co.; A. G. Becker & Co., Inc.; Equitable Securities Corp.; Hornblower & Weeks; Lee Higginson Corp.; Otis & Co.; Phelps, Fenn & Co.; L. F. Rothschild & Co.; First of Michigan Corp; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; William Blair & Co.; Burr & Co., Inc.; Hayden, Miller & Co.; McMaster Hutchinson & Co.; Swiss American Corp.; Mullaney, Wells & Co.; Schwabacher & Co. and Edw. Lowber Stokes Co.

How Congress Can Help Small and Large Business

(Continued from page 3)

sary as a matter of bread-and-butter compulsion to get these financial advantages.

Since members are deprived of the wider participation in underwritings and the wider distribution of securities than would be possible if they were permitted to deal with nonmembers on a parity, this setup constitutes a disservice to both and certainly to the investing public.

After all there is no legitimate reason either why any person should be compelled to pay dues (which are tantamount to taxes) to any association before he is privileged to engage in all phases of a business. Yet such tribute is presently exacted from current and potential dealers in the securities industry because of the thoroughly obnoxious and dictatorial rule laid down by the NASD.

Small issues are those most directly affected because the underwriter of small issues needs the additional distributing ability of nonmember firms to really do an effective job for small business.

We venture to say that barring this implementation which gives autocratic preferences and a monopoly to the only existing, registered securities association, NASD membership would quickly vanish.

In an era when our system of free enterprise is under attack, intelligent big business will and must turn a sympathetic ear to the augury of its endangered welfare which is spelled out by the raw deal forced upon the small fellow via the above rules.

NASD transgressions call for its indictment on numerous other counts. Some of these are:

(1) the use of snooping questionnaires invading the right of privacy;
(2) price control interpretations;
(3) a trial system wherein it acts as investigator, prosecutor, judge and jury, and
(4) the registration of salesmen without their being consulted and forcing their adherence to a code neither of their choosing or their approval.

The following provision of the Maloney Act is startling:

"Sec. 15A. (n) If any provision of this section is in conflict with any provisions of any law of the United States in force on the date this section takes effect, the provisions of this section shall prevail."

Our Constitution is the basic law of the United States. From this it may be gathered what cheek was required to enact the above section. Can it possibly be claimed that the Maloney Act takes precedence over the United States Constitution?

Our attitude concerning the SEC and the NASD has been often reiterated editorially and is well known. We believe it to be in the public interest that both these bodies be abolished.

Initially, it is possible that it might have been plausibly argued that there was need for a commission with snooping and dictatorial powers to determine how the investment banking and brokerage clock ticked on the theory that, after a reasonable lapse of time, such a commission could then recommend to Congress the enactment of specific legislation making it a criminal offense to engage in practices (if such there were) which were not outlawed by the common law and which were inimical to the public interest.

If the commission, after all these years, cannot draft such definitive legislation, then it is infinitely better that nothing be done in this respect at all than to continue the present power of the commission to decide what is right or wrong, as suits its whims, to the detriment of not only those in the securities business but to the country as a whole. In the final analysis the American philosophy of government, which has made for the high material well-being of our people, calls for government by law and not by men. Certainly our legislators must realize that there is nothing sacrosanct about the Securities and Exchange Commission that should prompt their overlooking this fundamental fact. Congress, in our view, has a plain duty here.

In the meantime, even before this sweeping legislation is undertaken, there is need of immediate relief to the extent that Section 15 A (i) (1) of the Maloney Act which by implementation now bars nonmembers of the NASD from participation in certain financial advantages therein set forth, be at once deleted from the statute book.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 13	100.1	100.9	99.3	92.
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 13	1,845,400	1,860,100	1,830,600	1,670,90
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Jan. 29	5,438,850	5,418,950	5,610,650	5,318,23
Crude runs to stills—daily average (bbls.)	Jan. 29	‡5,490,000	5,556,000	5,888,000	5,434,00
Gasoline output (bbls.)	Jan. 29	17,531,000	17,961,000	18,859,000	15,986,00
Kerosene output (bbls.)	Jan. 29	2,588,000	2,354,000	2,526,000	2,561,00
Gas oil and distillate fuel oil output (bbls.)	Jan. 29	7,547,000	7,944,000	8,200,000	7,690,00
Residual fuel oil output (bbls.)	Jan. 29	8,176,000	8,744,000	9,249,000	9,141,00
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 29	114,677,000	111,587,000	104,063,000	102,988,00
Kerosene (bbls.) at	Jan. 29	21,873,000	22,125,000	24,373,000	11,719,00
Gas oil and distillate fuel oil (bbls.) at	Jan. 29	67,432,000	68,746,000	77,151,000	40,607,00
Residual fuel oil (bbls.) at	Jan. 29	84,462,000	85,075,000	86,284,000	50,839,00
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 29	679,255	709,585	584,628	726,34
Revenue freight received from connections (number of cars)	Jan. 29	599,666	631,290	514,690	632,00
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 3	$209,703,000	$212,157,000	$124,485,000	$123,813,00
Private construction	Feb. 3	143,290,000	64,829,000	45,627,000	66,640,00
Public construction	Feb. 3	66,413,000	147,328,000	78,858,000	57,173,00
State and municipal	Feb. 3	61,043,000	71,797,000	44,628,000	21,737,00
Federal	Feb. 3	5,370,000	75,531,000	34,230,000	35,436,00
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 29	10,460,000	*11,460,000	8,800,000	11,190,00
Pennsylvania anthracite (tons)	Jan. 29	653,000	860,000	931,000	1,167,00
Beehive coke (tons)	Jan. 29	146,700	*158,100	130,100	136,00
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Jan. 29	217	230	204	23
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 5	5,778,476	5,810,034	5,741,663	5,412,361
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 3	145	136	128	97
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 1	3.75628c	3.75628c	3.75628c	3.22566c
Pig iron (per gross ton)	Feb. 1	$46.74	$46.74	$46.82	$40.17
Scrap steel (per gross ton)	Feb. 1	$40.42	$40.58	$43.00	$40.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 2	23.200c	23.200c	23.200c	21.200
Export refinery at	Feb. 2	23.425c	23.425c	23.425c	21.425
Straits tin (New York) at	Feb. 2	103.000c	103.000c	103.000c	94.000
Lead (New York) at	Feb. 2	21.500c	21.500c	21.500c	15.000
Lead (St. Louis) at	Feb. 2	21.300c	21.300c	21.300c	14.800
Zinc (East St. Louis) at	Feb. 2	17.500c	17.500c	17.500c	12.000
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 8	101.42	101.31	101.09	100.6
Average corporate	Feb. 8	113.12	113.12	112.56	110.7
Aaa	Feb. 8	118.80	118.80	118.40	115.8
Aa	Feb. 8	117.00	117.00	116.61	114.2
A	Feb. 8	112.19	112.19	111.25	109.7
Baa	Feb. 8	105.17	105.17	104.48	103.4
Railroad Group	Feb. 8	108.70	108.88	107.80	105.1
Public Utilities Group	Feb. 8	113.31	113.50	113.12	112.5
Industrials Group	Feb. 8	117.40	117.20	116.80	114.6
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 8	2.40	2.41	2.42	2.41
Average corporate	Feb. 8	3.00	3.00	3.03	3.00
Aaa	Feb. 8	2.71	2.71	2.73	2.71
Aa	Feb. 8	2.80	2.80	2.82	2.8
A	Feb. 8	3.05	3.05	3.10	3.0
Baa	Feb. 8	3.44	3.44	3.48	3.4
Railroad Group	Feb. 8	3.24	3.23	3.29	3.2
Public Utilities Group	Feb. 8	2.99	2.98	3.00	2.9
Industrials Group	Feb. 8	2.78	2.79	2.81	2.7
MOODY'S COMMODITY INDEX	Feb. 8	370.1	384.8	392.4	422.
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Feb. 5	218.2	219.7	224.2	235.
Fats and oils	Feb. 5	166.4	171.5	184.6	242.
Farm products	Feb. 5	232.0	237.4	240.8	260.
Cotton	Feb. 5	311.5	312.5	307.5	318.
Grains	Feb. 5	201.2	202.5	209.2	282.
Livestock	Feb. 5	229.2	237.2	241.9	252.
Fuels	Feb. 5	238.3	240.1	243.5	228.
Miscellaneous commodities	Feb. 5	169.5	170.9	172.1	178.
Textiles	Feb. 5	192.4	195.7	195.2	217.
Metals	Feb. 5	190.4	190.4	190.6	162.
Building materials	Feb. 5	217.9	217.9	226.8	233.
Chemicals and drugs	Feb. 5	145.5	146.3	148.4	155.
Fertilizer materials	Feb. 5	143.4	143.4	143.6	137.
Fertilizers	Feb. 5	151.3	151.3	150.8	142.
Farm machinery	Feb. 5	155.6	155.6	155.2	136.
All groups combined	Feb. 5	210.8	213.1	216.4	221.
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 29	167,930	182,892	116,925	196,88
Production (tons)	Jan. 29	181,483	191,306	81,780	185,94
Percentage of activity	Jan. 29	88	92	46	10
Unfilled orders (tons) at	Jan. 29	304,146	327,700	318,673	432,91
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 4	141.1	141.5	142.6	147.
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 1	158.8	158.8	161.3	164.
Farm products	Feb. 1	168.9	167.9	175.5	195.
Foods	Feb. 1	158.6	159.2	168.1	177
All commodities other than farm and foods	Feb. 1	153.5	153.6	152.6	148.
Textile products	Feb. 1	143.5	143.6	145.1	148.
Fuel and lighting materials	Feb. 1	138.0	138.0	137.1	130.
Metals and metal products	Feb. 1	178.3	177.9	175.2	154.
Building materials	Feb. 1	200.8	200.8	198.7	191
All other	Feb. 1	132.9	133.5	132.8	138.
Special indexes—	Feb. 1	161.6	164.0	170.3	249.
Grains	Feb. 1	206.8	206.5	209.9	246.
Livestock	Feb. 1	215.5	218.3	225.9	241.
Meats	Feb. 1	194.3	200.4	192.8	225.
Hides and skins					

*Revised figure. ‡Includes 372,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (bbls. of 42-gallons each)	183,158,000	187,414,000	170,687,000
Domestic crude oil output (bbls.)	170,242,000	174,581,000	158,736,000
Natural gasoline output (bbls.)	12,888,000	12,805,000	11,901,000
Benzol output (bbls.)	28,000	28,000	50,000
Crude oil imports (bbls.)	12,923,000	12,572,000	7,688,000
Refined products imports (bbls.)	4,555,000	3,876,000	5,631,000
Indicated consumption—domestic and export (bbls.)	185,260,000	184,226,000	182,168,000
Increase—all stock (bbls.)	15,376,000	19,636,000	1,838,000
AMERICAN ZINC INSTITUTE, INC. — Month of January:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	75,815	*76,696	72,778
Shipments (tons of 2,000 lbs.)	70,625	*75,332	86,000
Stocks at end of period (tons)	26,038	20,848	55,423
Unfilled orders at end of period (tons)	75,858	51,318	67,563
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX 1935-39 = 100 (COPYRIGHTED) AS OF JANUARY 1:			
Composite index	138.7	141.9	141.5
Piece goods	140.5	142.3	141.5
Men's apparel	137.5	140.8	140.7
Women's apparel	134.1	136.8	135.4
Infants' and children's wear	128.4	130.7	130.7
Home furnishings	145.5	150.2	150.3
Piece goods—			
Rayons and silks	126.6	130.8	130.8
Woolens	135.5	140.9	141.1
Cotton wash goods	163.7	161.2	159.8
Domestics—			
Sheets	174.6	182.5	181.7
Blankets and comfortables	139.5	141.4	141.4
Women's apparel—			
Hosiery	106.8	108.5	108.0
Aprons and housedresses	146.1	147.1	145.9
Corsets and brassieres	132.9	132.5	132.4
Furs	154.1	157.2	149.9
Underwear	133.8	139.4	139.1
Shoes	136.5	141.4	141.4
Men's apparel—			
Hosiery	138.9	140.2	140.3
Underwear	148.3	155.8	155.9
Shirts and neckwear	130.6	132.9	132.9
Hats and caps	126.8	128.1	128.1
Clothing, including overalls	130.0	132.4	132.5
Shoes	164.3	169.6	169.3
Infants' and children's wear—			
Socks	130.2	131.5	131.5
Underwear	119.7	120.8	120.3
Shoes	142.6	144.9	144.9
Furniture	149.5	150.7	150.8
Floor coverings	151.0	158.2	158.7
Radios	123.8	124.0	123.7
Luggage	129.9	131.1	131.9
Electrical household appliances	137.5	144.6	144.2
China	131.4	135.3	135.7
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of November:			
Shipments (short tons)	1,099,827	1,148,422	1,020,239
For sale (short tons)	606,380	642,485	561,660
For producers' own use (short tons)	493,447	505,937	458,579
Unfilled orders for sale at end of month (short tons)	2,406,737	2,522,831	2,687,244
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$118,358,000	------	$101,334,000
Matured endowments	37,644,000	------	29,838,000
Disability payments	8,212,000	------	6,924,000
Annuity payments	18,937,000	------	17,975,000
Surrender values	38,133,000	------	27,829,000
Policy dividends	36,687,000	------	35,323,000
Total	$257,971,000	------	$219,223,000
METAL PRICES (E. & M. J. QUOTATIONS)—Average for Month of January:			
Copper (per pound)—			
Electrolytic, domestic refinery	23.200c	23.200c	21.200c
Electrolytic, export refinery	23.430c	23.454c	21.532c
Lead (per pound)—			
New York	21.500c	21.500c	15.000c
St. Louis	21.300c	21.300c	14.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	70.000c	70.000c	74.625c
Silver, London (pence per ounce)	42.500d	42.500d	45.000d
Sterling Exchange (Check)	$4.02750	$4.02750	$4.02679
Zinc (per pound)—East St. Louis	17.500c	17.500c	11.077c
Tin (per pound)—			
New York Straits	103.000c	103.000c	94.000c
New York, Chinese or 99%	102.000c	102.400c	93.500c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$89.600	$82.154	$78.308
¶Antimony (per pound) (E. & M. J.)	41.713c	41.670c	36.082c
Antimony (per pound), bulk, Laredo	38.500c	38.500c	33.000c
Antimony (per pound), in cases, Laredo	39.000c	39.000c	33.500c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$91.600	$93.000	$66.000
†Cadmium (per pound)	$2.00000	$2.00000	$1.75000
‡Cadmium (per pound)	$2.05000	$2.05000	$1.77500
§Cadmium (per pound)	$2.10000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	Not avail.
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of November (000's omitted):			
Savings and Loan Associations	$267,274	$292,651	$295,256
Insurance companies	77,580	81,246	71,029
Banks and Trust Companies	198,182	212,192	238,334
Mutual Savings Banks	67,915	70,279	55,111
Individuals	176,000	183,537	164,973
Miscellaneous lending institutions	132,680	137,925	129,868
Total	$919,631	$977,830	$954,569
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of January 31	$252,656,167	$252,854,401	$256,650,614
General fund balance	4,659,251	4,208,411	4,648,247
Net debt	$247,996,916	$248,645,990	$252,002,367
Computed annual interest rate	2.222%	2.215%	2.154%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York.

**F.O.B. Port Colbourne, N.S. U.S. duty included.

Basic Aims of Republican Party

(Continued from page 14)

closer into the Communist orbit. In a little more than three short years, the fruits of the most glorious victory for freedom in the history of the world have been turned to bitter ashes by the incompetence of this Administration.

Similar perils threaten us at home if our social progress is to be left in the hands of this Administration.

You know, it is a curious thing that the same objectives of full employment and social security are claimed as their purpose by both political parties in America, by both the Socialist and non-Socialist Governments of Europe, by the Communist nations of Eastern Europe, and were claimed by the Hitler Government.

Everybody claims to be going to the same place. But some are going as slaves with chains around their minds and clanking on their heels. Others are going as free men with their heads high and their minds and souls unfettered by the State.

The whole difference between freedom and slavery lies in how you advance toward your goals, whether you go forward under a free system or march on the treadmill of a slave system.

I see nothing in the program advanced by the Democrats which is opposed to the belief that they intend to lead us into a system where everything man gets from cradle to grave is doled out to him by a ruling political clique. I see nothing in the program of this Administration to lead anyone to believe that they desire to avoid the kind of nation where your home or your job, your right to education, or even to a bread card or a pair of shoes all depend on government.

That is the great fundamental difference between the Democratic and the Republican parties.

Aims to Be Achieved Under Competitive System

Our party believes in social progress and we believe it can only be achieved under a flourishing, competitive system of private enterprise where every human right is expanded. We are utterly opposed to tyranny in any form, whether by business, finance, labor or government.

We are opposed to delivering the nation into the hands of any group who will have the power to tell the American people whether they may have food or fuel, shelter or jobs.

As we fight for the view that government must protect the liberty and security of our people, we should fight also the view that any of these fundamental rights flow from the bounty of any political clique or party which happens to control government at the moment.

We know and believe that we can pay for the advances of social progress only through more efficient, more economical and better managed government. That is an idea that has been completely forgotten in our Federal bureaucracy for a great many years. It is the kind of government that nobody under 30 years of age can even remember in the United States. Yet, we are trying as a nation to make those advances under a political spoils system which has grown and spread out fantastically in all directions.

There is enough demonstrable waste in this Federal Government to pay for all of the social advances that were proposed by our party platform. We will only get rid of that waste, finally, by getting the executive and legislative branches of government in Republican hands. Meanwhile we can fight for part of it, at least, while in the opposition.

Only with a new degree of competence and skill in the fine art of government can we make progress which will not break the backs of our people with taxes. We are trying to make progress under a government that does not seem to realize that the American people are entitled to spend their own earnings to the limit possible—instead of having them taken away by government to be squandered on sheer incompetence.

There are more differences between our party and the Democrats. They are willing, for political reasons, to play with any radical and unsound scheme in order to win over this or that pressure group. A basic issue between us is that we believe with all our soul and with all our hearts in human freedom.

And since that word is so much abused, let me say that I mean a system under which man is free to work at the kind of a job he wants—a job which fits his own skill and talent—to seek a job or to quit one—free to seek the education he wants—free to start a business—free to create—free to produce—free to benefit society by the ablest use of his talents—and free to keep enough of the proceeds to provide incentive to others to go and do likewise.

I mean a way of life under which government exists to protect the rights and equal opportunities of all its citizens—not a way of life in which the individual lives to serve as a cog in the machine of government. This is the heart of our political faith. It is the thing this present Administration does not believe in, as their legislative programs and their tax programs prove.

Opposes Nationalization of Industries

Again, let me be exact and specific. The President has asked the Congress for the right to take steps which would lead toward the nationalization of various industries. That is the route to tyranny, in which all employment flows from government and you have to see your district leader to get a job.

Soviet Russia has nationalized her industries. So did Nazi Germany. Other nations are doing the same. But should we follow them down that trail? Let's see.

Right now, today, in the United States we have 7% or about one-fifteenth of all the people in the world. Yet, we are making by the free system more steel of every kind than all the other nations of the world put together. We are making by the free system more automobiles than all the other nations of the world put together. We have more telephones—and almost everything else by the free system than all the other nations in the world put together.

And yet, this present democratic Administration wants to copy the techniques of all the nations that have failed. They talk about just a little nationalizing. Well, that's like putting just one drop of strychnine in a glass of perfectly good milk. It's good milk until you put in the drop of strychnine and from then on none of it is any good.

Who is going to save a $1,000, or borrow a $1,000 from his uncle to start a little business, or build a filling station, or anything else, if he knows that government may build one across the street, tax free, and run him out of business?

Belief in Social Progress

We believe everlastingly in social progress. And we believe in achieving it as free men and not by trying to copy all the nations which have dragged great peoples down to serfdom.

There are many areas of compromise in government. There are many areas of agreement between both parties. But on the great issues which divide us from the Democrats, there can be no honest compromise. There can be no compromise with waste. There can be no compromise with incompetence.

There can be no compromise with efforts which would abandon us to the tyranny of the few, whether within or without government. There can be no compromise with the use by government of the instruments of totalitarianism; however smooth and silky may be the guise in which they are presented.

I propose that as a party we turn our faces ahead and keep them steadfastly in that direction. I propose that we build for the betterment of the whole American people, through every legitimate device of government for their security, for their comfort and for their individual opportunity.

I propose that we support every proposition which will achieve these ends, regardless of its origin, and without regard to political credit. And by that I do not mean supporting half-baked, badly-drawn laws or evil inventions like the Murray-Wagner-Dingell Bill which would reduce our doctors to government servitude. I propose that, opposing every totalitarian device, we fight ever to enlarge the area of human freedom.

That is the historic role of the party of Lincoln, in honor of whose memory we meet tonight. Our party was formed in the hot fires of a struggle to advance the cause of human liberty and under his wise leadership won victories which will resound through-out all history.

It is time we returned to our historic role. The world is in desperate need of a fresh demonstration of faith that free systems are better than slave systems. Adhering faithfully to the principles repeatedly stated in our platform, let us move forward again—the party of progress in America in behalf of human freedom everywhere.

Constitutional Check on Tax Power

(Continued from first page)

taxation is due to a number of factors," Lawrence said.

"First, the loss of political power by that fraction of the population which carries the major portion of the burden. Although exact figures are difficult to obtain, it is probably true that the topmost 5% of our taxpayers accounts for more than half the total revenues of the Federal Government.

"A corollary is the shift of controlling political power from those who pay direct taxes to those who pay none. A second corollary is the great increase in the political power of those who receive part or all of their income from the State.

"Government job-holders, veterans, farmers, the aged and the ill, and the unemployed far outnumber the taxpayers who pay them. In other words, political power based on a straight count of votes is used to shift assets from one group to another without too much regard for the ultimate consequences to our economy and our political structures.

"Second, the new concept of the tax function which has prevailed in Washington during the last decade and a half. The Constitution stipulates that the government shall have power to levy taxes in order to meet its necessary costs. Our founders regarded taxes as a source of revenue unembellished by any ideological frills.

"Government today regards taxation as an instrument for equalizing incomes, a means of controlling inflation, a method for maintaining full employment and, finally, as a tool for stabilizing the business cycle. These neo-liberal concepts are an essential part of the social revolution which under the false title of progress is now taking place in England and the United States.

"Implicit in this new concept of taxation is the repudiation of individualism and the exaltation of collectivism. The American record shows that our great national progress has been due to the stimulation which the exceptional man and woman derived from the prospect of fame, wealth and power.

"This prospect, realized in varying degrees by thousands of our more gifted citizens, fired the ambition of growing youngsters.

"It is this full exploitation of our own talented members by great rewards, which they were permitted to keep, that accounts for the current supremacy of American society and the powerful appeal which these shores exert upon the less fortunate in other parts of the world.

"If the dynamic quality of our society is to be preserved, radical changes must be effected in our concept of taxation.

"(1) We must recognize as the most important asset in the American balance sheet, the energy and genius of that small number of our fellows who spark our progress.

"(2) Their position and their rewards must be safeguarded against the punitive and destructive inroads of a welfare state.

"(3) Some upper limit should be imposed by constitutional amendment, if practicable, on the tax to which individuals and corporations may be subjected. When the Sixteenth Amendment was being debated in the Senate, Borah held as preposterous the suggestion that the income tax might ever exceed 5% of a man's income.

"Let Congress now place an absolute limit on such a tax, not to exceed 25% in time of peace or 50% in time of war. In the interest of plain justice and national vitality, Congress should also abolish the double taxation of corporate stockholders and place a limit on corporate taxes.

"As a salutary corollary, as long as income taxes are necessary to support the government, all citizens who vote should be compelled to pay some income tax, however small."

Return to Gold Inopportune

(Continued from page 5)

mand payment on them immediately.

In addition, we have $28 billion of outstanding currency, and the holders could demand gold if they chose. And we have $84 billion in demand deposits. So altogether there is about $167 billion that could be demanded in gold very soon. But let's cut that down and take only the E Bonds which amount to $32 billion. Then suppose we add half of the $28 billion in currency outstanding, or $14 billion, and suppose we take one-quarter of the $84 billion outstanding demand deposits because the corporations own an important part of this total; that would leave $67 billion in the hands of the people who, in case of an emergency or anxiety, might be inclined to demand gold.

The question is, what have we in gold to meet such a demand? Our government has $24 billion in gold, of which about a billion is free but the rest is represented by gold certificates held by the Federal Reserve System. This $24 billion would be available if we went back to the old gold basis, except that it represents 50.1% of the outstanding Federal Reserve notes and Federal Reserve deposits, and the total reserve that must be held against such notes and deposits is 25%, so that there would be only $12 billion in available gold to meet the $67 billion, presuming that it might be presented by the holders for gold.

The question is whether that is a fair chance to take and whether we should go back on the gold standard knowing we face the possibility of having to meet such a situation. Under normal conditions — if there are any such things as normal conditions — I presume that would be a justifiable chance to take and we could do so without too much anxiety. But those who advocate going back on the gold standard immediately admit that it would not be wise to do so if we were at war.

Are we at war? There is no question about it; we are not at peace, and we are engaged in what is called a "cold" war, and not only a "cold" war but we are in what might be called a semi-civil war.

Why? Because subversive forces have been infiltrating into our country for years, and they have held key positions in our government. They are in the churches. They are in the unions. They are in the universities. They are in innumerable social organizations.

What is their purpose? Their purpose is to destroy the private enterprise system and to destroy our form of government. How do they work? They work underhandedly and in ways that are ruthless. As I recall it, in 1932 and 1933 when we had runs on the banks, they had one meeting that I heard about at that time outside of Detroit where they gathered to figure out how they would develop runs on banks. When a run was being made on a Bank here in New York, men went up to those in the lines and said, "Now, are you ever going to put any more money in a bank?"

When you look at France and see how they have tried to restore their currency, and in Germany, too, you will find the confusion caused by the subversive forces made it absolutely impossible for them to do so, that is, to hold stability except for a little time.

The question is, are we justified in the United States of America today in going back to the gold coin standard when we have these forces that are being exercised against us, that can develop through their methods confusion and misunderstanding, that might induce the holders of $67 billion in bonds, currency and deposits to apply for gold? That is the question. I feel quite certain that these subversive forces would be very much pleased to see the United States go on the old form of gold standard. But the Committee does not believe that we should do so at the moment. This Committee, however, is one of the committees of this Chamber, and my experience has told me that the members of this Chamber who are on its committees are wonderfully patriotic, intelligent men. It is my firm conviction, therefore, that regardless of whether the members of the committee on Finance and Currency are present members or whether they may be new men who may come in later to serve on that committee, that when we have reached toward peace and when the time seems right and desirable and in the interest of our country, the committee will of its own volition decide to recommend to you that we go back to a different character of gold standard than we are on at the moment.

Why Should the Average Person Own Stocks?

(Continued from page 4)

for employing capital aggressively.

Many such funds, over a span of years, have increased capital of their shareholders by an amount equal to, or greater than the increase in living costs in those years. They have produced regular quarterly income averaging 3%, or 4% or 5% or more, on capital invested—depending upon the particular investment fund's income objectives. This is what aggressive use of capital has meant for thousands of mutual fund shareholders. But I shall return to this subject again. There is another bit of background that I believe will interest you—the financial implications—for you—of the ageing of our population.

Advances in medical science, in sanitation, in living standards during the past half century, and especially during the past 20 years, have increased the life span of the average American by one-third.

The child born today has a life expectancy of some 67 years. The child born in 1900 had a life expectancy just short of 50 years. For men and women in the age bracket 35 to 44 years, today's death rate per 1,000 of population is around 5; in 1900 it was 10. In 1900, mortality among women in the age bracket 55-64 was 26 per 1,000; now it is 16 per 1,000.

Now, the man of 40 can look forward to living 33 more years—if his life span is average. The man of 50 has 25 years "to go." The man of 60 can expect to live to 78. Have you placed yourself in this picture? And if these are married men who are concerned about the future financial security of their wives, they must face the fact that on average, women outlive men of the same age by about five years.

Combine more years of life with a considerably higher annual cost of living, and it is clear that more active and more ambitious planning for the financial needs of old age is imperative. As recently as 1945 it was estimated that about one out of every two persons over 65 years of age was dependent on family or friends, or on private or public charity. One out of four had to work for subsistence. Only one out of five was self-dependent on account of pensions, investments and the like. I know where you want to place yourself in *this* picture, but let me go on.

Government social security payments—for those covered under this program — contribute somewhat toward the financial needs of retirement years. But the amounts involved are modest indeed, in the light of current-day living costs. If you've been "covered" under social security for 40 years, and arrive at age 65, under current benefit payments you'll get no more than $84 per month. That's absolute maximum for a man and wife. And most of us here will get less.

Not so many years ago, an estate or retirement fund of $30,000 would have provided $3,000 annually for 12 years, assuming a return of 4% and gradual exhaustion of the principal over the 12-year period. Today, to provide a similar standard of living, at least $5,000 annually would be required. And return on the principal amount involved would be closer to 2%-2½%. Thus, the same $30,000 estate would now "last" for only a little more than six years.

This is a conservative measure of the extent to which personal financial planning for the future needs to be expanded. And let's not forget that because of the tendency for people to live longer, the $30,000 would today be less than adequate even were living costs at the levels of the 1930's.

Here again, solutions are difficult to perceive. The obvious ones are a greater personal effort to save for the future, and for those with family responsibilites, more insurance protection.

More Aggressive Use of Personal Capital

But more aggressive use of personal capital is likewise called for. At 2% interest compounded annually, a dollar will double in 35 years. At 5% interest compounded annually, a dollar bill will double in 14 years. Increasing the rate of return on $5,000 of savings from 2% to 5%, or by $150 annually, provides the wherewithal (for a man of 40 years) to buy almost $6,000 of additional "ordinary" life insurance, or about $10,000 of term insurance.

For increasing income return the mutual fund is a practical, desirable and prudent vehicle. This modern investing institution, together with the savings bank and insurance company, has a place in personal financial planning for the future.

As I said earlier, many mutual funds have—over a span of years—increased capital of their shareholders by an average of more than 5% annually, while producing regular quarterly income averaging 3%, or 4%, or 5% or more.

I've one last segment of the background to fill in—a word on the recently added complexities of life. And I don't mean such things as getting and keeping household help.

Both the accumulation of personal wealth and the safeguarding and useful employment of that wealth have become progressively more difficult in the past several decades. What were once "luxuries" are now "necessities"—more clothing, better housing, household work-savers, a car, an education for one's children, leisure time. The list could be expanded almost indefinitely. All these absorb funds of which a large part might otherwise be saved.

Probably more important is the effect of Federal taxation of income and profits. In this century, prior to 1913, there were no personal income taxes. During the late 1920's, the maximum normal tax rate was 5% and the maximum surtax rate 20%, the latter applying to taxable income in excess of $100,000. Basic exemptions were higher than presently. Until the 1930's, dividend income was altogether exempt from taxation.

But there is no point in being nostalgic about the days when one could keep most of what one earned or made. The hard fact is that with Uncle Sam now an ever-present creditor for most of us, it is far more difficult for an individual to accumulate wealth than it used to be.

And because of recent trends in the social and economic life of the country, the constructive employment of wealth is in many ways more difficult too. It is no longer feasible for most of us to keep abreast of business developments in our own communities, to say nothing of national business trends. Modern living somehow leaves less time for such study and observation. For this reason and others, local real estate, mortgages, small business enterprises and the like, once regarded as a proper and prudent means for the investment of personal funds (they could be "watched") are for most people a less than satisfactory way to put money to work today.

Under the circumstances it is not surprising that people have turned to securities for the investment of funds. Present tax laws alone point in this direction, for profits on securities—as on other capital transactions — are treated more kindly taxwise than ordinary sources of income. Long-term capital gains, such as profits on securities owned more than six months, are taxed at half the rate ordinarily applicable with the maximum rate 25%.

The stumbling block here, for many, is their realization that investing in securities requires training and a degree of "specialization" no less than the handling of their legal affairs or the diagnosis and cure of their physical infirmities. No one will admit more readily than the wide-awake business or professional men, the difficulty of keeping abreast of the fast-moving flow of events in his own field. How, then, is one to keep in touch with investment affairs, which are "foreign" to most individuals?

Again, my refrain—as a means both for accumulating a personal estate and for employing such wealth prudently and constructively, the investment company has a place in personal financial planning. It brings sound and informed investing within the reach of any individual, however ambitious or conservative his financial plans, however large or small his funds.

The mutual fund — or more formally, investment company, is not a complete solution to current-day personal financial problems, any more than the savings bank insurance company or building and loan association. But it does offer higher rates of return on capital than any of these other institutions, and it is unique in that it is the only one of these personal-service financial institutions which affords the opportunity for the original capital investment and for the income on that investment to grow.

Mutual Funds

The remarkable growth of mutual funds is the new development in the investment field that I started by saying I'd discuss. It is not that the mutual fund, as an institution, is new. In one form or another—here and abroad—it has existed for over a 100 years. But the surge of interest in mutual funds is of recent origin. The public has invested more than a billion dollars in this type of financial institution in the past eight years. And I believe this is only the beginning. The powerful forces influencing our personal financial lives—which I have discussed briefly—may be one of the things that has made hundreds of thousands of people stockholders in these funds—even if the individuals did not recognize these forces as such.

Let me tell you what a mutual fund is, in terms that are familiar to you and, more importantly, in terms that will be familiar to the average person. Everyone knows, when he deposits money in a savings bank, that he can expect to get back the same number of dollars, on demand, and that a modest rate of interest will be paid by the bank for use of the money.

When a life insurance contract is written, the insuring company obligates itself to pay a specified number of dollars to the insured or his beneficiaries in exchange for the payment of specified premiums to the company.*

Because of their dollar-for-dollar obligations, banks and insurance companies invest their funds with primary emphasis on preserving the value of their investments. It is only natural, therefore, that their investing consist largely of lending money—on real estate mortgages, mortgage bonds and other bonds of the government and of corporations. Like their depositors or premium payers, they hope to get back the same number of dollars they have put to use. If they make a profit on their investments, the profit is put into a reserve to "make good" the occasional losses incurred—for instance, when a mortgage turns sour. Out of the earnings they receive on their investments, they likewise set aside amounts for the same reserve. For that reason they cannot pay out all they earn. This accounts for the relatively small rate of return on savings bank deposits and the moderate rate of interest included in the computations on which an insurance contract is based.

The process of putting money to work in a mutual investment company does not involve "deposit" or a contract. It requires the purchase of shares of the investment company. The shareholder becomes—in effect—a part owner of the assets of the company—usually securities listed on the major exchanges and nothing more, except perhaps cash and government bonds. The value of the mutual investment company's shares fluctuate, day by day, in accordance with changes in value of the company's investments. At times this value may be less than the cost of the shares to the investor, and at other times, more. Income is received in the form of quarterly dividends on the shares usually at a rate greater than is paid by savings banks or insurance companies. Ordinarily, all net profits on security holdings are also paid to shareholders in the form of "capital gain" dividends.

As was previously observed banks and insurance companies are limited in the kind of investments they may make. By contrast, investment companies can invest in bonds with higher yields than those which are "eligible" for bank investment. They can invest in preferred shares which banks may not do (and which some life insurance companies may, but to a very limited extent). Of the three, only the investment company may invest substantially or exclusively in common stocks and thus undertake to share in the profits of large industrial, utility and railroad companies. It is to be noted that income from common stock investments not only is more liberal than that from bank-quality investments, but usually increases in times of high living costs. This is because corporation earnings are likely to be good then, too.

Flexibility

The flexibility afforded the investment company as to the kind of investments it may acquire is its outstanding feature. It can take advantage of the opportunities to increase capital that are provided by the long-term trend in common stock values, by upswings in the business cycle, by changes in the fortunes of individual industries and companies. This is "aggressive" use of capital.

You may ask why—if mutual funds are so desirable — you haven't heard about them before or haven't heard more about them. The activities of these funds are carefully regulated under Federal and State laws—just as are activities of insurance companies and banks. And it is strange but true that the advertising of mutual funds is even more stringently controlled than that of the insurance and banking businesses. That is a principal reason for the limited—so far—public appreciation of mutual funds.

Summary

In summary, banks and insurance companies offer safety of principal in exchange for the "use" of money at a fixed, comparatively low rate of return. They assume all investment risks and retain any profits made from their investments and all or most of any excess income (after expenses). The investment company, on the other hand, passes all net security profits and all income (after expenses) along to its shareholders. It does not retain profits or income for itself. In return for full and direct participation in profits and income from investments of the company and for the opportunity to enlarge capital, its shareholders themselves assume the risk of fluctuations in the value of the company's investments. This is reflected in the value of their shares.

While their operations and the regulation of their operations are similar in many details, the facilities offered by savings banks, insurance companies and investment companies obviously serve different purposes. The individual can and probably should take advantage of all three. He can place part of his savings in banks for a "basic reserve." He can buy insurance for family protection. He can own investment company shares either for general estate-building purposes or more specifically for combating the effects of recent trends in American life which, as we have seen, impose upon the prudent man what is well-nigh a compulsion to use capital aggressively.

*The terms of an insurance contract are calculated on these assumptions: (1) The insured is likely to live for a specified number of years, as indicated by mortality tables; (2) during these years he will pay insurance premiums; (3) the total of which (less insurance company operating expenses and reserves), plus compound interest on the premiums, will equal the face amount of the insurance at the end of the period. Many insurance contracts include savings programs but all are based on the essentials above described. In effect, the insurance company is "betting" that it will receive all the premiums called for in its formula, and perhaps more, and that it will be able to employ these monies to produce the necessary interest income, while the payer of the premiums is "betting" that he will not pay all the premiums, and that his beneficiaries will receive the full amount of the insurance anyway.

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CINCINNATI, OHIO—Clifford H. Grischy has become associated

Clifford H. Grischy

with Field, Richards & Co., Union Central Building. Mr. Grischy was formerly a partner in Horan & Grischy and prior thereto was with Edward Brockhaus & Co.

David Weinig has also been added to the firm's staff.

Blunt Ellis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Lorraine B. Perrin is with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Miss Perrin was previously with Walter J. Fitzgerald & Co.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Charles P. Pettus, Jr., and Henry F. Stratmeyer are with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and St. Louis Stock Exchanges.

J. L. Schmitt Forming Firm

NEW HAVEN, CONN.—John L. Schmitt is forming Income Funds, to engage in a securities business. Mr. Schmitt was formerly associated with Lord, Abbett & Co.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Affiliated Fund, Inc.
Jan. 24 filed 10,000,000 shares common stock (par $1.25). **Underwriter**—Lord, Abbett & Co., New York. Price, market. **Proceeds**—For investment.

Allied Western Oil Corp., New York
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1c). **Underwriter**—Atlantic Securities Co., New York. **Price**—25c per share. Acquisition of oil leases, properties, drilling, etc.

American Box Board Co.
Jan. 5 filed $5,400,000 15-year 4¼% convertible sinking fund debentures. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—To pay off a long-term obligation and to pay for part of the costs involved in a program to improve and expand a pulp and paper mill.

American Business Shares, Inc.
Jan. 24 filed 2,500,000 shares common stock (par $1). **Underwriter**—Lord, Abbett & Co., New York. Price, market. **Proceeds**—For investment.

American Light & Traction Co., Chicago
Jan. 10 United Light & Railways Co. filed 634,667 shares of American Light common ($25 par). **Underwriter**—None. **Offering**—The shares will be offered at $12 per share to holders of United Light common of record at the close of business Feb. 7, on the basis of one share of American Light common for each five shares of United Light common. Rights will expire March 9.

American Steel & Pump Corp.
Sept. 21 filed 200,000 shares ($2 par) convertible class A stock. **Underwriters**—Herrick, Waddell & Reed, Inc. and Sills, Minton & Co., Inc. **Price**—$8 per share. **Proceeds**—To retire indebtedness and for working capital. Expected financing plan will be revised.

• Animal Foundation, Inc., Buffalo, N. Y.
Feb. 3 filed 5,000 shares of 6% cumulative participating non-convertible preferred stock (par $100) and 1,000 shares of common stock (no par value). **Offering**—To be publicly offered in units of five shares of preferred stock and one share of common stock. **Price**—$100 per unit. **Underwriter**—None. **Proceeds** — To purchase property and equipment and to provide working capital.

• Aviation Dealers Corp., Inc., Los Angeles, Calif.
Jan. 31 (letter of notification) 5,000 shares of common stock. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To acquire equipment and materials, and for operational expenses.

• Beneficial Industrial Loan Corp., Wilmington, Delaware
Feb. 4 filed $20,000,000 15-year sinking fund debentures due Feb. 1, 1964. **Underwriters**—Eastman, Dillon & Co., New York, will head a group. **Price**—To be supplied by amendment. **Proceeds**—To reduce outstanding bank loans maturing over the next several months.

• Better Babies, Inc., Seattle, Wash.
Jan. 31 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital.

California Electric Power Co.
Jan. 24 filed 100,000 shares of 5½% convertible preference stock, 1949 series ($20 par). **Underwriter**—William R. Staats Co., San Francisco, Calif. **Proceeds**—To finance property additions and betterments.

California Electric Power Co. (2/23)
Jan. 28 filed $3,000,000 of 3% first mortgage bonds, due 1978. **Underwriters**—Names to be determined through competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co.; Blyth & Co., Inc. **Proceeds**—To retire $500,000 of bank notes and to finance part of the construction program of the company and its subsidiaries. **Offering**—Expected about Feb. 23.

Central Maine Power Co.
Jan. 10 (by amendment) 286,496 shares ($10 par) common stock. **Offering**—Company's common and 6% preferred stockholders have preemptive rights to purchase such stock. However, company states that it believes New England Public Service Co., which holds 77.8% of the common stock, will waive its preemptive right to purchase 219,196 shares of the total issue, making such shares available for immediate sale to an underwriter. Company proposes to offer the remaining 67,300 shares to its other common and to its 6% preferred stockholders pursuant to their preemptive rights in the ratio of one share of common stock for each six shares of common stock presently held and five shares of common stock for each six shares of 6% preferred stock. It is proposed that the subscription rights be negotiable. **Underwriter**—Company proposes to enter into a contract with an underwriter for the purchase by the underwriter of the shares made available for sale to the public by the waiver by New England Public Service Co. of its preemptive rights in the proposed issue and in addition, for the purchase by the underwriter at the conclusion of the subscription period of those shares offered to stockholders, the rights to subscribe to which have not been exercised. **Proceeds**—The net proceeds are to be applied by company to reduce its outstanding short-term notes, the proceeds of which were used for the acquisition of property, the construction of facilities, and other lawful purposes.

• Chenango & Unadilla Telephone Corp., Norwich, New York
Feb. 7 (letter of notification) 1,000 shares of common stock and 2,000 shares of class B 4½% preferred stock, series A. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For payment of bank loans, refinancing outstanding mortgage bonds, and for cost of construction and expansion program. **Offering** — Expected about March 7.

Connecticut Light & Power Co. (2/18)
Jan. 31 filed an alternative to issue either 163,133 shares (no par) common stock at $50 per share or $8,156,650 of 3% convertible debentures, due 1959. **Offering**—Stockholders will be allowed to purchase, for each eight shares held, either one share of common at $50 or $50 of debentures for $50 in cash. Unsubscribed shares will be reserved for conversion of debentures into common stock. **Underwriters**—Putnam & Co.; Chas. W. Scranton & Co. and Estabrook & Co. will head a group of underwriters in purchasing the unsubscribed debentures. **Proceeds**—To be applied to the payment of $2,570,000 of bank borrowings and to future construction outlays. Expected about Feb. 18.

• Cordillera Corp., Seattle, Wash.
Feb. 3 (letter of notification) 400,000 shares of common stock. **Price**—25 cents per share. **Underwriter** — None. **Proceeds** — For development and operation of mining properties.

Delaware Power & Light Co., Wilmington, Del.
Jan. 31 filed 232,520 shares ($13.50 par) common stock. **Offering**—To be offered to common stockholders of record Feb. 28 in ratio of one new share for each five shares held. Rights will expire March 21. **Underwriting**—Unsubscribed shares will be sold at competitive bidding. Probable bidders: The First Boston Corp. and Blyth & Co. (jointly); Morgan Stanley & Co., Harriman Ripley & Co., White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Otis & Co. **Proceeds**—For construction.

Dividend Shares, Inc., New York
Jan. 28 filed 5,600,000 shares (25¢ par) capital stock. **Proceeds**—For investment.

• Doerrfeld's Chinchilla Ranch, Bensenville, Ill.
Feb. 4 (letter of notification) 290 "mated" pairs of live chinchilla animals, together with warranty contract at $1,000 per pair. **Proceeds**—For expansion and operating expenses.

Duke Power Co., Charlotte, N. C. (2/15)
Jan. 24 filed $40,000,000 first and refunding mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Possible bidders include: Morgan Stanley & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. **Proceeds**—To complete part of the company's construction program, reimburse its treasury for past construction expenses and to pay off bank borrowings. **Bids**—At 11:30 a.m. (EST) on Feb. 15 at office of company, Room 2109, No. 48 Wall Street, New York, N. Y.

Farnsworth Television & Radio Corp.
Jan. 12 filed 270,000 shares ($1 par) common stock. **Underwriter** — The First Guardian Securities Corp., New York. **Proceeds** — To pay past due debts, to reestablish the corporation's credit position and for general corporate purposes. **Price**—The ceiling price will be $5.75, or market if lower, based on the closing or last sales on the date of offering, but not below $4.25 per share. **Offering**—Postponed indefinitely.

Federal Bake Shops, Inc., Davenport, Iowa
Jan. 19 (letter of notification) 12,000 shares ($1 par) capital stock. **Price**—$6.625 per share. **Underwriter**—Quail & Co., Davenport, Ia. To pay federal estate and state inheritance taxes on the estate of Joseph Hecht.

• George Putnam Fund, Boston, Mass.
Feb. 7 filed 1,000,000 additional shares of beneficial interest.

• Good Hope Placers, Inc., Boise, Idaho
Jan. 31 (letter of notification) $40,000 first mortgage bonds. **Underwriter**—None. **Proceeds** — For additional equipment, payroll and working capital.

Hamilton Fund, Denver, Colo.
Jan. 31 filed $4,000,000 periodic investment certificates, series H-DA. **Underwriter** — Hamilton Management Corp.

Harwill, Inc., St. Charles, Mich.
Oct. 27 (letter of notification) 125,000 shares of common stock (par $1). Price, par. **Underwriter** — Charles E Bailey & Co., Detroit. To pay current liabilities, purchase property, building and equipment and for working capital.

Hawkeye Casualty Co., Des Moines, Iowa
Jan. 20 (letter of notification) 4,000 shares of $10 par $2.50 cumulative preferred stock, to be sold at $50 per share. **Underwriters**—Becker & Cownie, Inc., and Shaw, McDermott & Co., Des Moines, Iowa.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

• Helcolicon Mines, Inc., Fairbanks, Alaska
Jan. 27 (letter of notification) 137,150 shares of class A 8% preferential dividend common stock. **Price**—Par ($1 per share). **Underwriter**—None. **Proceeds**—To explore claims.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Hotelevision, Inc., L. I. City (2/18-25)
Nov. 3 filed 160,000 shares ($1 par) class A stock. **Underwriter** — Cantor, Fitzgerald & Co., Inc., New York. **Price**—$3 per share. **Proceeds**—To develop, exploit and distribute a television innovation. Expected late this month.

• Huletts Landing Corp., Washington County, N.Y.
Feb. 7 (letter of notification) $25,000 4% 5-year notes due Feb. 1, 1954. Price, at par. **Proceeds**—To supplement working capital. **Offering**—Expected about Feb. 15.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 258,675 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$10 per share. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

• Israel-American Production Studios, Inc., N. Y.
Feb. 3 (letter of notification) 2,941 shares capital stock (par $100). **Price**—$102 per share. **Underwriter**—None. **Proceeds**—For purchase of stock in a corporation to be organized in the State of Israel, which corporation will operate a motion picture studio in that country, and for purchase of equipment, etc. **Offering**—Expected about Feb. 15.

Johnston Mutual Fund, Inc.
Jan. 24 filed 16,000 shares capital stock (par $1). **Underwriter**—None. Price, market. **Proceeds**—For investment.

• Kafka (Abe) Productions, Inc., Las Vegas, Nevada
Feb. 3 (letter of notification) 99,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For capital to produce motion pictures.

Keystone Custodian Funds, Inc.
Jan. 24 filed 10,000 shares Keystone Custodian Fund Certificates of Participation series B1, 15,000 shares of series B2, 75,000 of series K2, 150,000 shares of series S2 and 30,000 shares of series S3. **Underwriter**—Keystone Co. of Boston. **Proceeds**—For investment.

Las Vegas (Nev.) Thoroughbred Racing Assn.
Jan. 25 filed 500,000 shares 6% cumulative preferred stock (par $5) and 500,000 shares common stock (no par). **Underwriting**—None. **Offering**—To be sold in units of one share of each at $5 per unit. **Proceeds**—To purchase land and construct racing plant and for working capital.

• Liberal Finance Service, Lyndhurst, N. J.
Feb. 1 (letter of notification) $250,000 6% deferred debenture certificates. **Price**—At par ($1,000 per unit). **Proceeds**—For working capital of the business for the purpose of loans. **Offering**—Expected about Feb. 15, by company.

Magma Copper Co., New York
Jan. 25 filed 204,000 shares of common stock. **Offering**—To be offered for subscription by stockholders of record Feb. 15 in ratio of one new share for each two shares held. Rights will expire on or about March 8. Lazard Freres & Co. and Newmont Mining Corp. have agreed to purchase any unsubscribed shares, but have no intention of making any public offering thereof. **Proceeds**—Provide funds with which company may increase its investment in San Manuel Copper Corp., a subsidiary.

Major Television Corp., New York (2/15)
Jan. 28 (letter of notification) 299,600 shares of common stock (par 25¢). **Underwriter**—Mencher & Co., New York. **Price**—$1 per share. To finance manufacture and sale of television receivers and cathode ray tubes.

NEW ISSUE CALENDAR

February 10, 1949

Texas & Pacific Ry., noon......**Equip. Trust Ctfs.**
Virginian Ry., 11 a.m. (EST)....**Equip. Trust Ctfs.**

February 15, 1949

Columbia Gas System, Inc.............**Debentures**
Duke Power Co., 11:30 a.m. (EST)...........**Bonds**
Major Television Corp..............**Common Stock**
Monongahela Power Co., noon (EST).......**Bonds**
Rockland Light & Power Co..................**Bonds**

February 16, 1949

Denver & Rio Grande Western RR.
Noon (MST).....................**Equip. Trust Ctfs.**
Pennsylvania RR., noon (EST)..**Equip. Trust Ctfs.**

February 18, 1949

Connecticut Light & Power Co.....**Stock or Debs.**
Hotelevision, Inc....................**Class A Stock**

February 23, 1949

California Electric Power Co...................**Bonds**

February 24, 1949

Northern Pacific Ry., noon (EST)..**Equip. Tr. Ctfs.**

March 3, 1949

Delaware & Hudson RR. Corp...**Equip. Trust Ctfs.**

March 7, 1949

Minnesota Power & Light Co...................**Bonds**
Northern States Power Co......................**Bonds**

March 8, 1949

West Penn Power Co...........**Bonds & Preferred**

March 9, 1949

Southern Ry......................**Equip. Trust Ctfs.**

March 10, 1949

Staten Island Edison Corp...................**Bonds**

March 22, 1949

New England Tel. & Tel. Co............**Debentures**

March 24, 1949

Staten Island Edison Corp................**Preferred**

● **Massachusetts Investors Trust, Boston, Mass.**
Feb 3 filed 1,301,298 additional shares of beneficial interest.

Mid-Continent Airlines, Inc., Kansas City, Mo.
Jan. 20 (letter of notification) 13,273 shares of common stock. To be sold to employees. **Price**—$6 per share. No underwriting. For additional working capital.

● **Minnesota Power & Light Co., Duluth, Minn.**
Jan. 27 (letter of notification) 59,090 shares (no par) common stock. To be sold to stockholders of record Feb. 3, 1949. American Power & Light Co. will exercise its right to purchase 50,000 shares. **Price**—$21 per share. **Underwriter** — None. **Proceeds** — For construction and other purposes.

Minnesota Power & Light Co. (3/7)
Jan. 28 filed $4,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Shields & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Glore, Forgan & Co.; Harriman Ripley & Co.; Otis & Co. **Proceeds**—For construction or to pay off short-term bank borrowings. Expected about March 7.

Mississippi Chemical Corp., Jackson, Miss.
Jan. 3 filed 1,200,000 shares common stock (par $5). No underwriting. **Offering**—Of the total 660,000 shares are subject to delivery under the stock subscriptions now existent. **Price**—$5 per share. **Proceeds** — To construct ammonia plant.

Monarch Machine Tool Co.
Sept. 13 filed 26,000 shares of common stock (no par) **Underwriters**—F. Eberstadt & Co., Inc. and Prescott, Hawley, Shepard & Co., Inc. **Proceeds**—Stock being sold by certain stockholders. Offering indefinitely postponed.

Monongahela Power Co. (2/15)
Jan. 18 filed $6,000,000 30-year first mortgage bonds to be sold through competitive bidding and 67,000 shares of common stock to be sold to West Penn Electric Co. (parent). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce Fenner & Beane and Hallgarten & Co. (jointly); Harriman Ripley & Co. and Lazard Freres (jointly); Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Salomon Bros. & Hutzler. **Bids**—Bids for the bonds will be received up to 12 noon (EST) on Feb. 15 at office of company, Room 901, No. 50 Broad Street, New York, N. Y.

National Battery Co.
July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes Temporarily deferred.

● **Nevada Stewart Mining Co., Spokane, Wash.**
Jan. 31 (letter of notification) 200,000 shares of non-assessable capital stock. **Price**—At about market (20¢ per share). **Underwriter**—None. **Proceeds**—To develop mining claims and furnish funds for supplies, material and labor.

Northern States Power Co. (Wis.) (3/7)
Jan. 28 filed $10,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers and Riter & Co. (jointly); Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane; Harriman, Ripley & Co. and Union Securities Corp. (jointly). **Proceeds**—For construction or to pay off temporary borrowings. Expected about March 7.

Pacific Gas & Electric Co.
Jan. 28 filed 754,038 shares of common stock (par $25). **Offering**—To be offered at par to stockholders of record Feb. 25 at the rate of one new share for each 10 shares held. **Underwriting**—None. **Proceeds**—For extensions, additions, etc.

● **Pacific Telecoin Corp., San Francisco, Calif.**
Jan. 31 (letter of notification) 65,666⅔ shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter** — None. **Proceeds**—To go to Eugene R. Farny, President,, selling stockholder.

Pepsi-Cola Bottling Co. of Washington, D. C. (3/1)
Dec. 21 (letter of notification) 31,500 shares (10¢ par) common stock to be sold to public at $3 per share; 40,000 shares to be offered to trade accounts; 27,500 shares to be offered on behalf of a stockholder at $3 per share and 10,000 options at 1¢ per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. For working capital and payment of taxes. Expected about March 1.

Playboy Motor Car Corp., Tonawanda, N. Y.
Dec. 29 filed 1,000,000 shares of class A 20-cent preferential dividend series ($3 par) common stock and 1,000,000 shares of class B (5¢ par) com. stock. **Offering**—To be offered in units of one share each. **Underwriting**—By amendment. **Proceeds**—For purchase of equipment and working capital.

● **Providence Baseball Club, Inc., Providence, R. I.**
Feb. 7 (letter of notification) 7,500 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To operate the franchise of a professional club.

Public Service Co. of North Carolina, Inc.
Jan. 24 (letter of notification) $135,000 5% general mortgage bonds, due Dec. 1, 1951, with common stock purchase warrant attached entitling the holder of each $1,000 bond to purchase 10 shares of common stock at $20 per share. **Underwriter**—W. L. Canady & Co., Inc., New York. **Price**—Expected at par. **Proceeds**—To reimburse the Treasury, in part, for past outlays for construction and additions to facilities.

Rockland Light & Power Co. (2/15)
Dec. 30 filed $7,500,000 first mortgage bonds, series C, due 1978. **Underwriting**—Names will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Harriman Ripley & Co., Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co. **Proceeds**—For construction and the retirement of bank borrowings. Expected about Feb. 15.

● **Seaboard Finance Co., Los Angeles, Calif.**
Feb. 4 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes.

Sedberry (J. B.), Inc., Franklin, Tenn.
Jan. 24 (letter of notification) $250,000 6% 10-year sinking fund debentures and 5,000 shares (no par) capital stock to be sold at $10 per share. No underwriting. To retire bank loans and for expansion purposes.

Southern Union Gas Co., Dallas, Tex.
Dec. 16 filed 107,430 shares ($1 par) common stock. **Offering**—To be made to holders of outstanding stock of record Jan. 3, on basis of one new share for each 10 shares held, plus the privilege of subscribing for additional shares not purchased by other stockholders. **Underwriting**—None. **Proceeds**—For construction and betterments.

● **Southwestern Public Service Co., Dallas, Texas**
Feb. 3 filed 112,486 shares of common stock (par $1). To be offered to stockholders at the rate of one new share for each 11 shares held. **Price**—By amendment. **Underwriter**—Dillon, Read & Co. Inc. will head a group to purchase the unsubscribed shares. **Proceeds**—For construction and to repay bank loans.

● **Standard Printing Co., Louisville, Ky.**
Feb. 1 (letter of notification) 5,000 shares of common stock. **Price**—$35 per share. **Underwriter**—None. **Proceeds**—To increase working capital.

Taylor Food Co., Raleigh, N. C.
Dec. 17 (letter of notification) 17,000 shares ($1 par) common stock, of which 7,000 shares would be sold at $1.12½ and 10,000 shares at $1 per share. **Underwriter**—Griffin & Vaden, Inc., Raleigh, N. C. For additional working capital.

Transcontinental & Western Air, Inc.
Jan. 28 filed 404,112 shs. ($5 par) com. stock. **Offering**—to be offered stockholders of record Feb. 16 at rate of one-fifth new share for each share held. Hughes Tool Co. (owner of 74% of outstanding shares) will exercise subscription rights to purchase 297,304 shares. Rights are expected to expire on or about March 2. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, will head a group of underwriters purchasing any unsubscribed shares of remaining 106,808 shares not taken by stockholders. **Proceeds**—For general funds.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9). **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

Wellington Fund, Inc.
Jan. 24 filed 900,000 shares of common stock (par $1). **Underwriter**—W. L. Morgan & Co., Inc. Price, market. **Proceeds**—For investment.

Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands
Jan. 5 filed 2,000,000 shares of voting capital stock, one centavo par value. **Price**—25 cents per share (U. S. currency). **Underwriter**—F. T. Andrews & Co. **Proceeds**—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

● **Wonderwood Corp., Los Angeles, Calif.**
Feb. 3 (letter of notification) 1,500 shares of 6% preferred stock (par $100) and 3,000 shares of common stock (no par). **Price**—$101 per unit, consisting of one share of each. **Underwriter**—None. **Proceeds**—To investigate the practicability of a new board product and to pay expenses of incorporation.

Worcester Gas Light Co., Cambridge, Mass.
Jan. 26 filed $2,150,000 first mortgage sinking fund bonds, series A due 1969. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds** — To prepay short-term notes, refund 3½% first mortgage bonds due 1954 and pay short-term promissory note.

Prospective Offerings

● **American Telephone & Telegraph Co.**
Feb. 9 it was reported that the matter of a stock offering may be considered at directors' meeting scheduled for Feb. 16.

● **Artloom Carpet Co., Inc.**
March 15, stockholders will vote on issuance of $2,300,000 of 15-year 4% promissory notes. Proceeds to repay outstanding notes and for modernization of plant.

● **Central Maine Power Co., Augusta, Me.**
Feb. 1 asked SEC permission to sell competitively $5,000,000 of first and general mortgage bonds, series R, due 1979. Proceeds would be used to reduce outstanding short-term notes. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Harriman Ripley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Shields & Co.;Otis & Co. Offering expected in March.

● **Chesapeake & Ohio Ry.**
Feb. 1 reported planning sale of an additional block of equipment trust certificates early in March. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly) Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Columbia Gas System, Inc.**
Feb. 7 asked SEC permission to sell competitively $20,000,000 25-year debentures, due 1974. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (pointly); Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); The First Boston Corp. Proceeds are to be used to finance part of the 1949 construction program. It is contemplated that competitive bids for the debentures will be opened on or about March 15.

● **Columbia Gas System, Inc.**
Feb 7 it was announced that it is anticipated that subsequent to the sale of $20,000,000 of new debentures, company will sell additional securities in order to provide the remaining funds required in connection with its 1949 construction program.

● **Delaware & Hudson RR. Corp. (3/3)**
Feb. 1 company asked authority of ICC to issue $4,800,000 of equipment certificates to help finance the purchase of 29 diesel locomotives and 600 freight cars which are expected to cost $6,492,925. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris Hall & Co. (Inc.). Date for opening bids expected to be March 3.

● **Delaware Power & Light Co., Wilmington, Del.**
Feb. 9 company advised SEC of a plan to increase the authorized preferred stock from 100,000 to 200,000 shares and to increase the amount of unsecured debt by $10,000,000. Proceeds of these issues would be used for plant construction.

● **Denver & Rio Grande Western RR. (2/16)**
Feb. 1 company asked ICC for authority to issue $6,900,000 of certificates, series N, to help pay for seven diesel locomotives and 775 freight cars which are expected to cost $9,203,860. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler. **Bids**—At noon (MST) on Feb. 16.

● **Eastern Gas & Fuel Associates**
Jan. 28 company asked SEC permission to sell competitively $12,000,000 25-year bonds, the proceeds to provide funds for its construction program. Probable

(Continued on page 42)

(Continued from page 41)

bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). SEC hearing scheduled for Feb. 24.

● **Foote Mineral Co.**
March 29 stockholders will vote on increasing authorized common stock from 25,000 shares to 100,000 shares, par $2.50. Disposition of additional shares not decided upon. No financing said to be imminent. Traditional underwriter: Estabrook & Co.

● **Gulf Power Co., Pensacola, Fla.**
Feb. 7 asked SEC permission to sell competitively $2,500,000 30-year first mortgage bonds. Probable bidders: First Boston Corp.; Harris, Hall & Co. (Inc.) and Equitable Securities Corp. Proceeds are to be applied to 1949-1950 construction program.

● **Gulf Power Co., Pensacola, Fla.**
Feb. 7 it was announced that in addition to the $2,500,000 30-year first mortgage bonds which the company proposes to sell through competitive bidding, it is expected that an additional $1,000,000 of bonds will be issued and sold before the end of 1950 to meet the full amount of the estimated expenditures in connection with the 1949-1950 construction program.

Illinois Central RR.
Jan. 28 reported company planning sale of $6,800,000 equipment trust ctfs. in March. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris Hall & Co. (Inc.); The First Boston Corp.; Salomon Bros. & Hutzler.

● **Liquid Carbonic Corp.**
Jan. 28, preferred stockholders approved a proposal to issue $10,000,000 long-term debentures, the net proceeds to be used as follows: $8,900,000 to retire present bank loans, and the balance added to working capital. Sale of debentures privately has been negotiated, it is said.

Madison Gas & Electric Co.
New financing will be necessary to provide funds for contemplated plant additions aggregating about $3,000,000, according to the annual report, but the form and amount of the financing have not yet been determined. Of said amount, approximately $1,900,000 will be spent in 1948 and the remainder in 1949. Probable bidders for common stock will include Otis & Co.

Michigan Consolidated Gas Co.
Feb. 1 reported company is planning sale of $14,000,000 in new bonds and $7,000,000 in preferred stock. Probable bidders: White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Bros.; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc. (bonds only); Harriman Ripley & Co., Inc.; Dillon, Read & Co.; First Boston Corp.

● **Missouri-Kansas-Texas RR.**
Feb. 1 reported planning sale of $2,550,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman, Ripley & Co. and Lehman Brothers (jointly). Expected about March 8.

● **New England Telephone & Telegraph Co. (3/22)**
Jan. 18 directors authorized the preparation of a registration statement covering $35,000,000 25-year debentures, to be sold at competitive bidding in March. Proceeds will be used to redeem on June 1, 1949, $35,000,000 outstanding first mortgage 5s. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. Expected company will open bids March 22.

● **New York State Electric & Gas Corp.**
Feb. 6 the General Public Utilities Corp. announced that its stockholders would be offered the right to subscribe for one share of common stock of New York State Electric & Gas Corp. for every 10 shares of General stock held. The First Boston Corp. will head a dealer-manager group which includes Lehman Brothers, Wertheim & Co. and Merrill Lynch, Pierce, Fenner & Beane to obtain subscriptions.

Northern Pacific Railway (2/24)
Company has issued invitations for bids to be received before noon (EST) Feb. 24 for $6,000,000 equipment trust certificates, to be dated March 15, 1949, and to mature in 15 equal annual instalments from March 15, 1950, to March 15, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Lee Higginson Corp.

Pennsylvania RR. (2/16)
Bids for the purchase of $10,005,000 equipment trust certificates, series W, dated Nov. 1, 1948, and due in 15 annual instalments of $667,000 from Nov. 1, 1949-1963, will be received by company at Room 1811 Broad Street Station, Philadelphia, up to noon (EST), Feb. 16. Probable bidders: Salomon Bros. & Hutzler, Halsey, Stuart & Co. Inc., The First Boston Corp., Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

Southern Ry. (3/9)
Bids for the purchase of $11,850,000 equipment trust certificates will be received March 9. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); The First Boston Corp.; Salomon Bros. & Hutzler.

Staten Island Edison Corp. (3/10-24)
Jan. 28 New York P. S. Commission authorized corporation to issue $2,750,000 30-year first mortgage bonds and $4,000,000 in new preferred stock. Proceeds from the bonds would retire the company's short-term indebtedness and provide funds required for expansion. Proceeds from preferred stock would be used by company to carry out its plan of recapitalization. Probable bidders on bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Kidder, Peabody & Co.; Otis & Co. On preferred: W. C. Langley & Co.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp. Bids on bonds are to be received by March 10 and on the preferred stock by March 24.

Texas & Pacific Ry. (2/10)
Company will receive bids until noon Feb. 10 at Room 2216, 233 Broadway, New York for the purchase of $2,250,000 equipment trust certificates series F to be dated March 1, 1949 and due $225,000 annually March 1, 1950-1959. Proceeds will be used to finance purchase of four 6,000 h.p. diesel road freight locomotives and one 4,000 hp. passenger locomotive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co and Lehman Brothers (jointly).

Virginian Ry. (2/10)
Bids will be received up to 11 a.m. (EST) Feb. 10 at Room 1109, 44 Wall St., New York for the purchase of $3,800,000 equipment trust certificates series A dated Feb. 1, 1948, due $380,000 each Feb. 1, 1950-1959. The equipment to be covered by the certificates will consist of 1,000 steel hopper cars and 25 cabooses. Probable bidders: Haley, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

West Penn Power Co. (3/8)
Feb. 1 asked SEC permission to issue $10,000,000 first mortgage bonds series N and $5,000,000 of new preferred stock series C, to be sold through competitive bidding, and 70,000 shares additional common stock (no par) to be sold to The West Penn Electric Co. (parent) and to the public holders of outstanding common stock at $28.50 per share. Present plan is to open bids for the bonds and preferred stock on or about March 8, 1949. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Lehman Brothers; The First Boston Corp.; W .C. Langley & Co.; Smith, Barney & Co.; Harriman, Ripley & Co.

Our Reporter's Report

The latest upheaval in basic commodity prices appears to be promoting a generally cautious feeling in most directions. This influence is perhaps less pronounced in the investment securities field, but there is evidence of its prevalence nonetheless.

It is a consideration which could explain partially, at least, the renewed lethargy which appears to have developed in the new issue market. A quick check-up indicates, at any rate, that buyers are in no great haste about soaking up the remaining unsold portions of some recent offerings.

The big Consolidated Edison of New York issue is still reported decidedly "sticky" with only about a quarter of the total thus far marketed. The sponsoring group, however, recently took steps to beat down unfounded reports that it was considering marking down the price and has agreed to stand by its agreement.

Meanwhile it is reported that Union Electric Light, Heat & Power 3s, of 1979, are still around, along with Public Service Co. of Indiana 3s of 1979, and Jersey Central 3¼s, of 1978.

Among the recent equity offerings it is still possible to obtain Rohm & Haas $4 preferred and also the $3 preferred of Affiliated Gas Co., according to market observers.

Interest Rates

Little change from present levels is indicated in money rates during the current year, according to a survey just completed by the bond department of the Bankers Trust Co.

The bank ventures the opinion that the Federal Reserve will face the prospect of buying considerably fewer Treasury obligations this year than in 1948, since some reduction is likely in demands for credit and investment funds.

Against this, it observes that the Federal can be expected to sell part of its holdings of Treasury bonds should the market remain strong, thus suggesting the prospect for relative stability marketwise.

Amer. Tel. & Tel.

Since the American Telephone & Telegraph Co. and its operating companies are committed to a construction program which it has calculated will require about two billions of new money this year, the company can be expected to enter the market when it believes conditions are right.

Accordingly it is no surprise to hear talk of the possibility of a new issue of $200 million or more, either in convertible debentures or stock, as an early prospect.

But these discussions hold little interest for investment bankers, since it is likely that the securities will be offered directly to shareholders on a "rights" basis.

Joining the Parade

The latest of the public utility companies to follow through on its announced plans for raising substantial new capital is the Columbia Gas System.

It filed early this week with the Securities and Exchange Commission to cover a prospective offering of $20 million of new debentures to be sold under competitive bidding as part of its overall plans.

Funds would be used to defray costs of additional construction and new gas purchases in connection with an underground storage project. Further financing will be required, at a later date, to cover the balance of such costs.

Duke Power Bonds Next

The next sizable issue up for bids is Duke Power Co.'s $40 million of new first and refunding 30-year mortgage bonds for which tenders are slated to be opened on Tuesday next week.

Four banking groups are known to be planning to seek the bonds and since the largest underwriting firms are heading these aggregations the outcome should provide a new cue to the price ideas of investment bankers.

The firm will use the funds partially for construction, partially to reimburse the treasury for outlays already made and to liquidate existing bank loans.

World Fund Approves Premium Gold Sale

Permits South Africa to sell 100,000 ounces at estimated premium of $6.50 per ounce. Spahr says transaction need not upset proposals for Treasury sale at $35 per ounce.

It was reported from Washington on Feb. 8 that the International Monetary Fund had approved a sale in London of 100,000 ounces of alloy gold by the Union of South Africa at a premium over the $35 official price, the premium being estimated at $6.50 a fine ounce. As South Africa is a member of the 50-nation International Monetary Fund, it is required under the terms of the organization to adhere to the established dollar value of gold, unless a departure therefrom is granted by the Fund authorities.

Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, who has been advocating a return to gold convertible currency at present value, in commenting on the premium transaction, stated that "The South African-London premium price for gold need not upset efforts toward international monetary stabilization if the United States Government offers promptly to sell and buy gold freely at a fixed rate of $35 per fine ounce.

"Such action on the part of the United States," Dr. Spahr continued, "would remove all doubt about the quality of our paper dollars by making them redeemable at a definite rate into gold. It would also prevent violent fluctuations in the valuation put on our paper dollars by people in different parts of the world.

"An excellent example of sound money would also be set up for laudable imitation by other nations. This should inspire confidence and invite the initiation of long-term business commitments with favorable effects on production and exchange of goods on a world-wide basis."

COMING EVENTS
In Investment Field

Feb. 11, 1949 (Boston, Mass.)
Boston Securities Traders Association Annual Dinner at the Hotel Somerset.

Feb. 11, 1949 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual "Sport Night" Dinner at the Pittsburgh Athletic Association.

Feb. 12, 1949 (New York City)
Friday Night Bond Club Annual Dinner Dance at the Hotel Pennsylvania.

Feb. 14, 1949 (New York, N. Y.)
New York Curb Exchange Annual Election.

Feb. 15, 1949 (Denver, Colo.)
Rocky Mountain Group of the Investment Bankers Association and Bond Club of Denver panel discussion at the Denver Athletic Club.

Feb. 15, 1949 (Detroit, Mich.)
Detroit Stock Exchange Annual Dinner at the Hotel Statler.

Feb. 15, 1949 (New York City)
Tryouts at the New York Chess Club for membership on American team to play for New York Stock Exchange against Amsterdam Stock Exchange in match scheduled for March 5.

Feb. 21, 1949 (Milwaukee, Wis.)
Milwaukee Bond Club Annual Meeting and Election at the Milwaukee Athletic Club.

Feb. 21, 1949 (New York City)
Cashiers Association of Wall Street Annual Dinner at the Roosevelt Hotel.

Feb. 21, 1949 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

March 8, 1949 (New York City)
National Federation of Financial Analysts Societies Second Annual Convention.

March 16-17, 1949 (Chicago, Ill.)
Central States Group of IBA Spring Meeting at Drake Hotel.

May 18-21 (White Sulphur Springs, W. Va.)
Investment Bankers Association Spring Meeting of the Board of Governors at the Greenbrier.

Oct. 5-9, 1949 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at The Broadmoor Hotel.

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Joins Gillespie & Wouters

(Special to THE FINANCIAL CHRONICLE)

GREEN BAY, WIS.—Andrew L. Olson, Jr., formerly with Link, Gorman & Co., is now associated with Gillespie & Wouters, Northern Building.

Congress and Problems of Small Business

(Continued from page 15)

business during that period expanded. We have also observed a tendency to control prices and stifle competition requiring the constant activity of the anti-monopoly agencies of our government.

It is becoming increasingly difficult for small businessmen in America to operate on a strictly free competition basis when much of our national economy is not operating on that basis. Small businessmen are subject to economic conditions and influences, the outgrowth of big business and monopoly control, which create vicious cycles of inflation and deflation disastrous to small business concerns. Big business operates under a system under which they can survive these periodical depressions; but small business has no way to escape the bankrupting effects of a serious depression. They can't shut down and lay off their employees, reduce their operations, and wait for improved conditions.

It seems to me that the greatest problem our government has is the problem of checking the growth of monopoly and concentrated ownership. It is the duty of a democratic government to challenge and check these conditions in our economy; to serve as umpire and policeman in the enforcement of the rules of the game of free and private enterprise. Yet, at the same time, we must also be careful to guard against the possibility that the Federal Government does not, in the process itself become a threat to our freedom. We have reached the stage where we must now muster all our courage and intelligence to solve the basic economic problems confronting this nation. We have to prevent a serious depression and collapse on the one hand; and, on the other, we must prevent the growth of centralized economize power which might threaten freedom of opportunity in the economic life of this nation.

The men's wear industry is now a good example of how small business is affected by the increased concentration of power and so-called integration of the huge corporate enterprises. Our whole economy has now turned the corner in our reconversion from a war to a peace economy. Particularly in the men's clothing industry, we have moved rather quickly from a sellers' market to a buyers' market. There are many reasons to account for this, including the disproportionate share of the national income that is being spent for other pent-up wartime demands, the tremendous drain on the earnings and savings of our people because of necessary postwar domestic and foreign commitments, and the continuing high prices and high taxes we are forced to carry.

The basic reason for this return to a buyers' market in the men's clothing industry, however, is the continued impact of increased competition. The fact is that more and more firms are going into selling men's wear. Chain stores are in the midst of tremendous expansion programs—in some cases even trying to lease departments in established independent stores as well as extending their own outlets. Department stores, drug stores, and others are paying especial attention to men's wear. Filling stations are selling work clothes; new chains are cropping up called "iron pipe" stores, which profess to pass on the savings of unnecessary sales frills to the purchaser.

In addition, my information indicates that some manufacturers of men's wear secretly own and control retail outlets which are in direct competition with their own independent customers. At the present time it is illegal, under our antitrust laws, for a trade as sociation such as the National Association of Retail Clothiers and Furnishers to expose manufacturers who are secretly competing with their own customers. Certainly Congress ought to amend the antitrust laws in order to prevent such unfair trade practices which strike at the foundation of free enterprise.

Moreover, we are informed in Washington that the men's clothing trade is also suffering from extension of government financed unfair competition. Army post exchanges and Navy ships' service stores, we are advised, go so far afield as to sell a wide variety of civilian men's apparel, not only to service personnel, but to unauthorized civilians as well. I believe that these charges ought to be investigated during the present session of Congress; and if such practices are uncovered, immediate action ought to be taken to put an end to them.

Must Revise and Strengthen Antitrust Laws

Here, then, is one great task which government must undertake in the interest of preserving small business in this country. We must revise, modernize, and strengthen our antitrust laws, and the enforcement provisions against unfair trade practices. We must enlarge the areas of freedom of opportunity, and the protection of fair trade practices in our economic life. In this task Congress will need the generous and intelligent support of the National Association of Retail Clothiers and Furnishers, a support which I am certain will be forthcoming.

Second, small business will need continued protection against discrimination in its access to equitable shares of our raw materials—and at prices which will not continue to support the gray or black markets of this country. This, in turn, imposes an obligation on government to provide the means whereby those raw materials are made available in sufficient quantities to meet the needs of our smaller, independent producers and distributors should those now engaged in their production neglect or prove unable to discharge their responsibilities.

But the one most important problem which small business and the American people as a whole confront is the problem of maintaining a national income level which will enable us to carry our tremendous postwar burdens. I think you will agree that we should pay for these out of current taxation and at the same time take effective steps to retire the National debt. This must be done in such a way as to prevent our tax burdens from reaching either the point of confiscation, or from dropping to the point where we become the victims of a ruinous insolvency and national bankruptcy.

Obligations of 81st Congress

It is in this field that the Federal Government, and the 81st Congress in particular, are obligated to enact wise and sound legislation to maintain continued maximum production, full employment, and equitable distribution of the national income to enable us to purchase the goods we produce at a level of prices which reflect the real costs of production, and real return on initiative and investment.

Fate of Senate's Small Business Committee

I had hoped tonight to tell how the Senate's Small Business Committee proposed to aid you in formulating solutions to these and other problems. Unfortunately, the Senate has not as yet agreed to the continuance of that special committee. Indeed, there are some indications that it may not be continued at all. Because of rigid adherence to the Reorganization Act, America's small businessmen may be asked to take up their complex problems with the several standing committees of the Senate; problems of banking and currency with a small business sub-committee of the Committee on Banking and Currency; questions involving the peculiar labor problems of small business with a small business sub-committee of the Committee on Labor and Public Welfare; problems involving access to the vast stores of raw materials in our national domain with a small business sub-committee of the Committee on Public Lands. And so on through 14 standing committees of the Senate—15 perhaps if our Committee on Rules and Administration decides it necessary to have a small business subcommittee to coordinate the work of 14 other subcommittees. I know you share my hope that this will not occur and that you will still find in the Senate one forum before which to state your case; one group whose sole concern is the protection and encouragement of the small, independent business enterprise without which free enterprise cannot exist. In any case, I know that there are many of us in the Senate, and there is a man in the White House, determined to keep this a country where opportunity for the independent entrepreneur is maintained; where liberty in a very real sense shall prevail.

We confront difficult, harrowing days ahead. We are burdened with tremendous problems and obligations on the domestic and international scenes. Yet I am convinced that if our spirit, courage, and faith of the past are criteria of the future, together we shall go forward into the future of a stronger, healthier, and more democratic America than we have ever known before.

Dan. H. McKellar With Shields in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Daniel H. McKellar has become associated with Shields & Co., 210 West Seventh Street. Mr. McKellar was formerly Vice-President of I. C. A. Distributors, Inc.

IBA Governors to Hold Spring Meeting

The Board of Governors of the Investment Bankers Association will hold its spring meeting at the Greenbrier, White Sulphur Springs, West Virginia, May 18 to 21.

With Edward D. Dail & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Leonard H. Cramblet has become affiliated with Edward D. Dail & Co., 315 North Seventh Street. He was previously with G. H. Walker & Co.

With Buckley Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Willard Leabman has joined the staff of Buckley Securities Corp., 530 West Sixth Street. He was previously with Pledger & Co. and G. Brashears & Co.

DIVIDEND NOTICES

LOEW'S INCORPORATED
MGM PICTURES · THEATRES · MGM RECORDS

February 3rd, 1949

The Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on March 31st, 1949, to stockholders of record at the close of business on March 10th, 1949. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice

The Board of Directors has declared a dividend of 25¢ a share on the Common Stock of the Company payable March 1, 1949 to stockholders of record February 15, 1949.

EDWARD L. SHUTTS,
President.

February 7, 1949.

RADIO CORPORATION OF AMERICA
Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period January 1, 1949 to March 31, 1949, was declared on the $3.50 Cumulative First Preferred Stock, payable April 1, 1949, to holders of record at the close of business March 7, 1949.

A. B. TUTTLE, *Treasurer*

New York, N. Y., February 4, 1949

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On February 1, 1949 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1949 to Stockholders of record at the close of business March 17, 1949. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

O'okiep Copper Company Limited
Dividend No. 9

The Board of Directors today declared a dividend of three shillings nine pence per share on the Ordinary Shares of the Company payable on March 10, 1949 to the holders of record of Ordinary Shares of the Company at the close of business February 18, 1949.

The Directors authorized the distribution of the said dividend on the same date to the holders of American Shares issued under the terms of the Deposit Agreement dated June 24, 1946. The net distribution, after deduction of the South African non-resident shareholders tax, will amount to 69⅜ cents per share.

By order of the Board of Directors.

H. E. DODGE, *Secretary.*

New York, N. Y., February 2, 1949.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 99

A regular quarterly dividend of forty cents (40¢) per share on the issued and outstanding common stock, without par value, of this Company, has been declared, payable March 31, 1949, to stockholders of record at the close of business March 3, 1949.

PREFERRED DIVIDEND NO. 10

A quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1949, to stockholders of record at the close of business February 17, 1949.

Transfer books will not be closed.
Checks will be mailed.

W. E. HAWKINSON,
Secretary and Treasurer.

February 3, 1949.

ROBERTSHAW-FULTON CONTROLS COMPANY
Greensburg, Pa.

COMMON STOCK
PREFERRED STOCK

Regular quarterly dividends of 20¢ per share on the Common Stock and 29-11/16¢ per share on the 4¾% Cumulative Convertible Preferred Stock have been declared, both payable April 1, 1949 to stockholders of record at the close of business March 10, 1949.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

February 8, 1949

AMERICAN WOOLEN COMPANY INCORPORATED
"THE GREATEST NAME IN WOOLENS"

At the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable March 15, 1949 to stockholders of record February 28, 1949.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable April 15, 1949 to stockholders of record April 1, 1949.

A quarterly dividend of $1.50 per share on the Common Stock payable March 15, 1949 to stockholders of record February 28, 1949.

Transfer books will be closed on February 28, 1949 and will re-open March 23, 1949.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
Treasurer.

February 9, 1949

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One Senator who is neither the recognized leader of any political party nor a member of the Labor Committee, Senator Irving Ives of New York, may hold the key to the kind of labor-management relations law which Congress enacts in 1949.

Senator Ives may hold the key to the picture because the group of 12 "progressive" Republican Senators who fought the Senate Minority leadership of Senator Robert Taft of Ohio, is pretty well set to follow Ives on whatever he does toward a labor relations act. If Ives says so, what the Congress enacts may be "two-thirds of the Taft-Hartley law" as Senator Taft predicted, and it might even be three-fourths.

It is predicted in all quarters that the new labor-management relations act will be written in the Senate, and probably on the floor of the Senate. This is said to be likely because the old Rules Committee steamroller is expected to prevent the House from expressing any peculiar ideas it may have as to the part the government should play in regulating the practices of the unions and their relations with employers.

Since the Senate Labor Committee is pretty well stacked for the Truman Administration, then the only place where members of Congress can vote their opinions on changes in the labor law is on the floor of the Senate, it being "undemocratic" to surpress a vote only when it is the Administration which wants the House to have a vote. (There is a possibility Speaker Rayburn may not consent to quite as stiff a gag on labor act amendments as the White House wants.)

Since it is pretty certain that the 12 "progressives" of the GOP will follow Ives, even though Taft won out as Senate Republican Leader, then the Ives group can probably dictate what will be in the new act, for this bloc of votes together with the other GOP and southern Democratic votes will probably be a majority.

It is generally believed in Congress that the Administration draft of its proposed labor-relations act was poor, that it was vulnerable, and that the Administration has lost ground in trying to prevent proponents of Taft-Hartley from questioning labor leaders. Furthermore, the new Truman labor bill is pitched strongly in favor of the CIO, if it was not actually written by CIO attorneys, as will appear shortly.

* * *

There appears to be little organized opposition developing as yet against the new minimum wage bill. As drafted, the bill actually paves the way for achievement of a minimum of $1.00 per hour, rather than the 75 cents it is supposed to provide. That is because the Secretary of Labor expects to name stooge "industry committees" to recommend the $1.00 minimum as fast as he can if the bill becomes law.

Industry spokesmen point out that when the lowest class of common labor has its minimum wage increased, then the more skilled classes of workmen could be expected to demand still higher wages, to restore the old gap between their wages and those of the commonest labor. Only a "buyers' market" for labor could forestall this. While the outlook ahead is not strong for big wage demands, nevertheless, the dollar minimum wage now in the works may bring mischief to employers eventually.

Most employers seem to be studying the bill to see how it affects their particular industries. In many cases, producers are unconcerned with the proposed broadening of the wage-hour act to cover virtually all industry as well as "interstate commerce." "So long as a large part of the industry must be under the wage-hour act, you might as well have all of it covered," so many are saying.

* * *

President Truman skipped asking for the $500 million which last year he requested for the Export-Import Bank, even though that bank comes closer to providing a system of exporting U. S. "technical know-how" under the "bold new program" of foreign aid, than any other institution in the world. It was also noted that while the President declared impatiently that he had been studying the World New Deal for two years, he forgot to mention it to E-I bank, the one government institution equipped by experience to advise him.

Whereas the President only had an idea and not a program when he enunciated the "bold new program" he is getting the Administration big-wigs together fast to blueprint a program.

Although the President declined to ask for any more money for the E-I bank in the January Budget message, he may ask for it later. The $500 million requested last year was the half billion promised to the Latinos at Bogota. The Congress of 1948 didn't go for the idea of tossing away $500 million for political loans, and so refused the authorization.

What the situation is, is that if the new Secretary of State, Dean Acheson, makes up his mind that he, too, wants the $500 million for the government to pass out to the Latinos through the E-I bank, then Mr. Truman will back up the request.

* * *

In view of the disposition of the Congressional Joint Committee on the Economic Report to hold hearings on the President's "economic stabilization" program now, the drive of Senator O'Mahoney upon "bigness in business" is postponed for an indefinite period. O'Mahoney heads the JE committee.

Despite the fact that at the last minute the House decided not to fight to name one of its members Chairman of the Joint Economic Committee, the boys in the House are pretty well fed up with the Committee. They will pay little attention to it, probably often refusing to attend meetings. Hence any recommendations which Senator O'Mahoney and the Joint Economic Committee may have, will have little standing as committee proposals.

The Joint Economic Committee "is going the way of all joint committees." That is, it is becoming primarily a Senate Committee. It is possible that the JE Committee may scarcely get into the news in four more years.

* * *

Initially the House Democratic leadership planned to simply "forget" the feature of the Legislative Reorganization Act of 1946, which required the members of the taxing and spending committees of Congress jointly to recommend, and the Congress to adopt by Feb. 15, the so-called "Legislative Budget." Under this Legislative Budget the Congress is supposed to set the outside limits of revenue and expenditures, and govern its total actions for the rest of the year within that framework.

Actually members of both parties have been saying for a long time that this proposal wouldn't work. During 1947 and 1948, the Republican Congress wanted to drop the whole thing, but didn't dare for fear the Democrats would jeer them for so doing. So they drafted a Legislative Budget which they paid no further attention to.

This year the Democratic Congress at first decided to see if it couldn't just "forget" to draft a Legislative Budget (which has no substantive standing) and let it go at that. This year the Truman Budget is even more shadowy and tentative than in most years.

Finally, some of the older heads said that if they "forgot" the Legislative Budget, they would be under attack for ignoring the very proposition their Democratic 79th Congress voted. So they delayed the ceremony of a Legislative Budget until May 1.

* * *

Since the opening of Congress, sentiment has been building up vigorously against any form of tax increase. While some tax increase may pass the House (and not before May at the earliest) it will encounter the stiffest opposition in the Senate. In Congress the older heads are more concerned with the dangers of deflation than with Mr. Truman's worries over inflation. Hence decisive groups will fight hard to prevent any increase in taxation in any form. They will even oppose higher payroll taxes for social security, although not objecting to broadening the coverage of social security at existing payroll tax rates.

* * *

The administrative tax bill passed by the House last year has a doubtful future in 1949. This is the bill which proposed a number of reforms. One of them, for instance, would shift the burden of proof to the Treasury from the corporation taxpayer where the Treasury alleged unjustified withholding of earnings from stockholders. The revival of this bill, with some 35 important changes, is low down on the order of business for this year, and has small chance of passage.

* * *

If the Administration gets caught in the wringer on the farm price support question and finally finds itself apparently "forced" to go through with a program of high mandatory supports coupled with acreage and marketing controls, Republicans in Congress will give little help.

During 1948 the GOP-controlled Congress passed the Aiken law for lower supports, on a flexible basis, to come into operation in 1950. The President had asked for flexible supports. During the campaign Mr. Truman and his bright boy, Charles Brannan, Secretary of Agriculture, spread the word around the countryside that it was the GOP which was in favor of the lower supports, and as a result, boosted the Democratic electoral following in the corn states.

So now Mr. Brannan and his Department of Agriculture are in a frightful tizzy. Since they criticized the 80th Congress for doing what the President had asked it to do, they naturally opine that maybe the farmers think that the Trumanites are all for the mandatory higher supports.

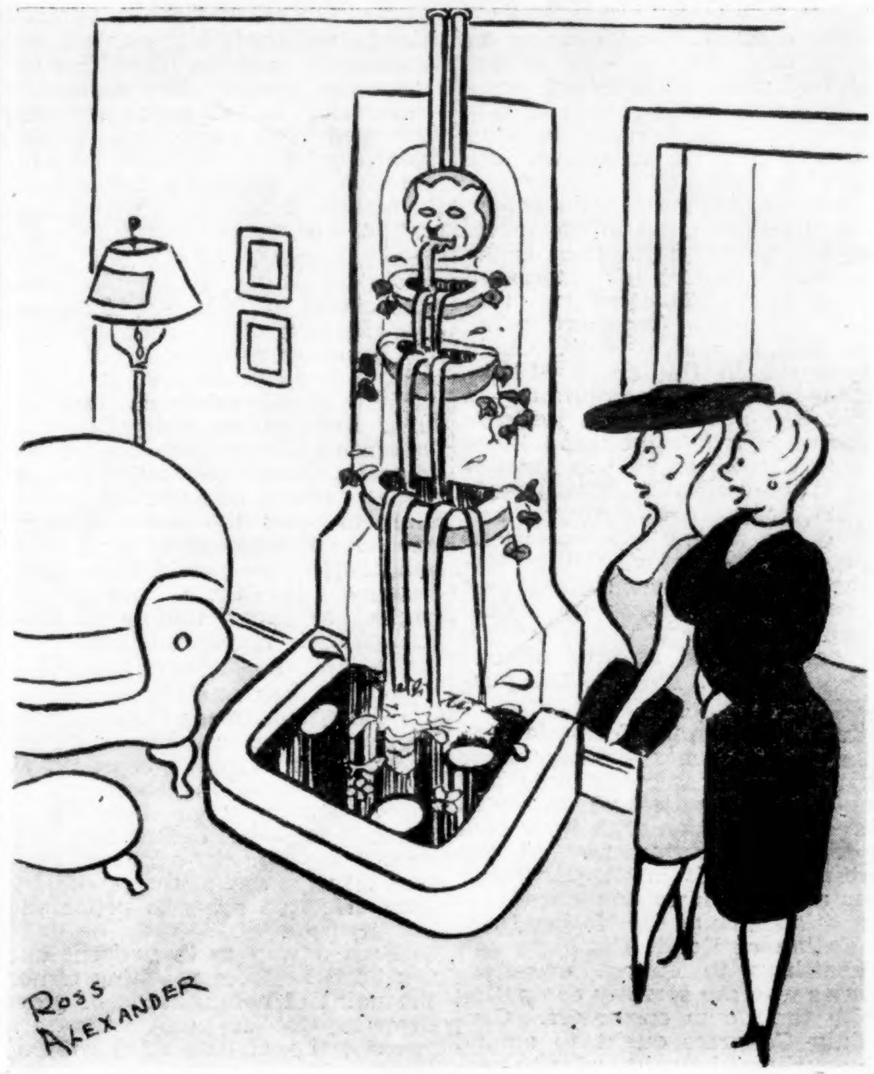
Yet if the White House and Agriculture go for the higher mandatory supports, they are likely to be around long enough to have to suffer the consequences thereof should surpluses begin to pile up as is now looking like a good possibility.

Members of the Committees on Agriculture report that Mr. Brannan and his department seem to be quite demoralized over the necessity for taking a stand on this higher versus flexible price supports issue, and that is why Brannan asked to postpone making recommendations.

Republicans point out that if they again voted for the lower, flexible supports, they would only arouse the antagonism of the farmers. Yet if higher supports plus strict marketing and production controls are voted this year, the GOP probably will benefit. It is when market prices really are below official supports and the supports build up farm income, that the farmers thereupon resent the production and marketing controls and vote GOP. They did that a couple of times in midterm elections in the 30's, and are expected to do so again.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"I finally solved the problem with that leaky water pipe."

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—James A. Donlon is now with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.